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TOWARDS ECONOMIC DEMOCRACY
IN THE NETHERLANDS INDIES

*To my wife,
in occupied Holland*



PEOPLE'S COUNCIL AT BATAVIA, LEGISLATURE OF THE NETHERLANDS EAST INDIES

Towards Economic Democracy in The Netherlands Indies

by

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This study is submitted as a document for
the Eighth Conference of the Institute
of Pacific Relations, December, 1942

Netherlands Paper No. 3

NETHERLANDS AND NETHERLANDS INDIES COUNCIL
INSTITUTE OF PACIFIC RELATIONS

C O N T E N T S

	PAGE
INTRODUCTION: Present Tense	9
Chapter I: Birth of a Nation	15
Chapter II: Problem Sinister	32
Chapter III: Freedom Oversteps	39
Chapter IV: Levers to Democracy	53
Chapter V: Staff of Life	63
Chapter VI: The Land Beyond	73
Chapter VII: Warp, Woof and Welfare	87
Chapter VIII: Red Lights and Green Lights	100

INTRODUCTION:

Present tense

This is not part of my story, which deals with the past and the future of the Netherlands East Indies and not with the present, not with the tragedy that is being perpetrated behind the closely-drawn curtains of enemy occupation.

In this global war, the white spotlights of public interest turn from point to point in a weary world, hurtling through the black-out: for three months one of those beams threw its full light on the Indies: then, significantly, the ray shifted to another battlefield and the sun-steeped archipelago faded out into the outer darkness.

Little is known of what is happening and even that imperfect picture is purposely distorted by the enemy.

Here is a very brief summary of recent economic events in their political context; they seem a fitting introduction to a description of what was developing in the Indies in the field of economics before the Japanese ruthlessly broke off an era of happy and encouraging progress: it is perhaps even more fittingly an introduction to the blue print of our hopes and expectations for the time when the ugly devils from the North will have been flung back into the blue water.

On May 10th, 1940, at four a.m. the German armored columns and the German airforce invaded the Netherlands over a long and open frontier without warning and without a shadow of provocation.

Holland fought valiantly and practically without help: it was soon crushed, but the fight has been carried on openly on the seven seas and in the air by the Dutch naval airforces and merchant marine and, underground in the occupied Netherlands, with ever increasing momentum.

The Netherlands-Indies cleared the decks for action without a moment's hesitation or delay: within a few hours after reports from Holland came in, enemy aliens were rounded up and interned; 18 German merchantships in Netherlands-Indian waters were seized and made available for the common war effort; German estates and other establishments of German firms were taken over by the Government

to be run under its control for the benefit of the war effort; economic warfare legislation was instituted; production of strategic raw materials and foodstuffs was speeded up to the utmost capacity and enormous quantities were exported on Dutch ships to those parts of the British Empire, especially the United Kingdom, who were in direst need of them, to the United States and later to Soviet-Russia: rubber oil, tin, beauxite, sisal, scrap, sugar, tea, copra, palmoil and many other commodities.

Effective measures were taken in collaboration with the British Ministry of Economic Warfare to prevent these vital necessities from reaching the enemy, either directly or via Japan and Siberia.

This economic policy gave rise to serious and frequent clashes with Japan, but open and indirect intimidation by the protagonists of the Far Eastern co-prosperity sphere was ignored and the policy was elaborated with unrelenting firmness but without provocation.

No pledge of assistance either from the British or the Americans, in case Japan should decide to carry out her thinly veiled threats, had been offered: the Kingdom was at war with Germany and that was sufficient: it was the bounden and enthusiastically accepted duty of the Indies to help the Allies and to thwart the enemy, come what might. The whole population, Indonesians, Europeans and Chinese alike, backed the Government staunchly and wholeheartedly: the German attack on Holland was an attack on the Indies and on all her peoples.

Gradually the aggressive intentions of Japan herself became abundantly clear to the world at large, as they had been clear to the Government of the Indies for decades. Unobtrusively and without ostentation that Government began to curtail further the exportation of strategic raw materials to Nippon: they had no inclination to assist anyone in building up their war-stocks to be used in due time against the Indies or her allies.

Japan, exasperated at such lack of an appeasing attitude in an isolated potential victim, made sweeping economic demands; when these were turned down peremptorily at Japan's request, economic negotiations were instituted in Batavia.

The Government of the Indies, which had seven years of unremitting experience of negotiations with Japan, carried on the pourparlers through a delegation headed by Dr. H. van Mook, now a prominent member of the Netherlands Cabinet, with courtesy and forbearance,



INDONESIAN GUERRILLA FIGHTER

but with consistent firmness: the Japanese were met with consideration on those sporadic points which were purely economic, but with complete refusal on those many demands which had the tendency to help either the Germans or to strengthen Japan's war potentiality, to endanger the economic—and therefore political—independence of the Indies or to prejudice them economic and social interests of the vast population of the country.

The negotiations broke down in June, 1940; the Japanese delegation left Batavia without having achieved anything. War did not immediately break out as many in Batavia had expected.

The Government of the Netherlands-Indies had been speeding up the defenses of the country for several years and had placed very large orders for implements of war in the U.S.A.: these were paid for on the nail, but only carried out to a small extent: other fronts where war was actually being waged, continued to have priority. Everything that could be manufactured or prepared in the Netherlands-Indies with limited industrial equipment, was made there, but although the improvement of defenses was important, it fell far short of necessity.

In the Indies it was, as in every democracy, "too little and too late," but perhaps not so little and not so late as elsewhere.

It is noteworthy that although preparation for the defense of the Indies was foremost in the minds of all, Government and subjects alike, the welfare policy and the economic work described in the following pages was continued during wartime, right up to the actual invasion. Many important economic innovations which will certainly remain on the Statute Book after termination of hostilities, were initiated under the stress of war.

In July, 1941 Japan, notwithstanding grave warnings, occupied southern Indo-China: from that moment on to everyone, even to those moderately initiated in the Pacific situation, Japan's drive southwards was only a matter of time and of opportunity. From that moment also and only from that moment dates the economic collaboration of the so called A.B.C.D. countries to prevent the further strengthening of Japan's war-machine.

Americans, British, Chinese and Dutch joined in the freezing of exports to Japan and in the freezing of Japanese assets: negotiations in Washington continued in a desultory fashion for several

months: then, on the seventh day of December, Japan struck simultaneously at Pearl Harbor, the Philippines and Malaya.

That same night Queen Wilhelmina in London, before any other country had acted, declared war on Japan.

—The Government of the Indies had no need even to wait for that swift declaration: instructions to be acted upon in case of an attack on ourselves or on our allies already had been transmitted to Batavia: Japanese nationals were interned in the whole vast archipelago within the hour; Japanese estates and assets were seized and brought under Government control.

Navy and Army airplanes, manned by Dutch and Indonesian pilots, flew to Malaya, Thailand and the Philippines the same day and took their heavy and daily toll of enemy warships, transports and planes: the small, but efficient Dutch Navy steamed out and attacked the enemy anywhere and everywhere.

But Hongkong was captured; the Philippines were conquered; Malaya was overrun; Singapore, bastion also of the Indies, fell when the enemy arrived at the backdoor. The Indies were defended as long and as well as possible, but the naval and airforces, disastrously depleted by their gallant work in allied waters and all territories outside the Archipelago, and subsequently in the epic battle of the Java Sea, could no longer give assistance to the army in Java, Sumatra and elsewhere.

Allied assistance was courageous but meagre, and fell far short of what was necessary to carry on the defense and to make up for what we had already lost. Large scale resistance collapsed on March 8th, when Bandoeng fell. As in the Philippines, dispersed and tenacious fighting continued in the Indies for many months; although little detail is known about it, there is evidently still fighting going on. Oilfields, refineries, factories, plants, railways, harbors, aerodromes, vehicles were destroyed, according to long-standing plans and on a much more effective scale than anywhere else in southeastern Asia.

The Government ordered everyone, Indonesian and Dutch, civil servant and private individual, to remain at his post: there should be no quitting in the hour of direst need. Dutch men and women belong in the Indies and to the Indies: they are part of the Indies: it is their country as much as it is that of the Indonesians themselves, for better or for worse.

The two dozen or so men who were sent out by gallant, rock-firm and highminded Governor-General Tjarda van Starkenborgh Stachouwer, to carry on the war outside and to prepare for the return of the Government, left with great reluctance and only because they were ordered to do so.

On the seventh of March the Bandoeng wireless faded out to the world with these words which no Indonesian and no Dutchman will ever forget: "Signing off. Long live our Queen; goodbye till better times."

So be it: we and all those who know and love the Indies, now outside that country, must work day and night to prepare for those better times.

As always our Queen has given the lead: we will carry on, in order to take up again, together with our Indonesian compatriots, at the appointed time the work in the East, which we cherish so deeply, which is part of our life.

CHAPTER I

Birth of a Nation

"What have you Dutch been doing in the Indies, anyhow, all these years? I'm not talking about bygone ages when we killed off Redskins ourselves and brought Africans as slaves to these shores, nor even about the last century when we had to fight a brutal civil war to get those slaves liberated. No, I mean after we Westerners became awake to the plight of the colored races. Have you just been going on planting rubber, dredging for tin, boring for oil, making money, and 'keeping the natives in their place,' as the term is?"

Such questions are neither unusual nor unnatural these days, and I am not quite sure that all my countrymen would have sufficient knowledge of facts to stand up to any kind of cross-examination on this subject.

For this reason, although I sincerely hope that many Americans who have become interested in Far Eastern affairs may read it, I am writing this little pamphlet primarily for my compatriots in America and for those Americans of Dutch extraction who, although fully conscious of their ties with the old country, although proud of Dutch achievements and regretful, even resentful, of Dutch shortcomings, nevertheless have not had the opportunity of following the developments in the Netherlands Indies during the last decades and, since the world depression, in particular.

I must confess that I am also writing for a number of Dutchmen who have not been in the U.S.A. for very many years, having lived in Holland until not so long before those fateful days of the German invasion of May, 1940 and who, therefore, had ample opportunity to remain posted as to what was happening in the Indies, but who just did not take the trouble.

It may be that there are also some Americans who do not have a concrete conception of what the trends of government policy have been in the Philippines, Hawaii, Alaska and Puerto Rico; but that does not exonerate those Dutchmen: after all, our home country is so very much smaller than the U.S.A.; far more important, however, is the fact that the associations of the Netherlands with the Indies are so old, so close, so fundamental, so widespread over our whole

community, so diversified, that no educated and social-minded Dutchman can be excused for ignorance of developments in the Indies before the Japanese occupation

He should know of the various things that were achieved with ever closer, more active, more enthusiastic cooperation from the Indonesians themselves, of the many experiments which succeeded, of several things left undone too long, of "too little and too late" here and there, but, on the whole, of a modern record of idealistic, business-like and devoted collaboration of colored and white peoples which I sincerely believe does not exist elsewhere today and has never before been witnessed in history. An American reader will ask, "Doesn't that last sentence savor of boastful propaganda, and don't you know that we are fed up with propaganda in this country?" Well, may be he is right, but I am not going to scrap that last sentence even if it should lose me a few readers at the outset. Our Indonesian partners and our countrymen were doing a good job together, and why shouldn't we take pride in it just as Americans are justly proud of what they have achieved in the Philippines, in Hawaii, and in so many other spheres?

Please remember that for the time being the Germans and the Japs have put our candle under a bushel and it is a rather human weakness that we do not wish it forgotten that it is still burning and that it will give light again unto all who are in the house, as soon as we, with the help of the United Nations have removed the bushel and put the candle on the candlestick where it belongs

Now there are just a few things I should like you to bear in mind at the outset

The first is this: we Dutch, as a people, are democratic to the core and have fought and died for the right to govern ourselves according to our own concepts for freedom of religion and of speech, for close onto four centuries, and we are still fighting and dying for these liberties. Many of the principles set forth in the American Declaration of Independence and in the United States Constitution will be found back in the Dutch Act of Union of 1579 and in the Dutch Declaration of Independence of 1581

When belatedly, i.e. towards the close of the nineteenth century, progressive humanity began to realize that those cherished principles of democracy, representative government and rule of law, should apply not only to themselves, but also to those people who had come under their domination, the Government initiated, in quick

succession, a number of political innovations which removed the last remnants of imperialism and which had brought the Netherlands Indies within measurable distance of complete democracy when the Japanese hordes finally overran the Archipelago.

By the way, it may be noted that slavery had been abolished as early as 1863; that the rule of law and the basic rights of all citizens—freedom of speech, freedom of the press, freedom of religion, freedom of assembly, an independent judiciary—had been vouchsafed to all residents of the Indies—Indonesians, Europeans and all others, under the Regulations for the Government of the Netherlands-Indies of 1854.¹ A dozen European countries did not until many decades later accept these tenets of decent governance, which in the nineteen thirties several of them were again to repudiate without lament because these essential freedoms had never become a real element of their political ideology.

And when, still more belatedly—after the First World War in fact, and especially after the Depression of 1929—democracies began to realize that political democracy in itself is not by any means adequate to insure happiness and prosperity—freedom from fear of unemployment and freedom from want of the necessities of life—and that economic democracy is an essential corollary to political democracy, the Government of the Indies, in close cooperation with the People's Council at Batavia, rejuvenated its welfare policy in a new drive—to obtain a better distribution of national income and a higher income for the country as a whole.

It is chiefly with this new economic policy, and with the reactions of the Indonesian community to that policy, that this little book will deal.

Regardless of how some of my readers may feel about a directed economy in a more or less harmoniously developed and full-grown nation like the U.S.A., they will readily understand that in a country where very powerful, efficient, modern and basically hardboiled western commercial interests come into close contact—and fairly frequently clash—with primitive Indonesian economy, the Government is compelled to intervene at almost every crossroad in order to

¹ Such temporary curtailments as were from time to time imposed on freedom of the press and of assembly, although only in emergencies and for preventing direct subversive activity of extremists, were of the same order as those which have been in existence in the U.S.A. and England at several stages; criticism of the Government and of the existing order remained free and even the very mild and incidental restrictions were always hotly and freely attacked both in Holland and in the Indies, no less by the European press than by the Indonesian papers.

effect its policy. In the earlier stages Government intervention was necessarily of a protective and paternal nature. Gradually encouragement of Indonesian initiative and enterprise by education, organization and diffusion of practical information and guidance, has become, with rapidly growing success, an essential part of the Administration's economic program to which, as we shall see, the Indonesian community, both collectively and individually, is responding with enthusiasm. Of course, that is the real road to economic democracy, but a man cannot drive on that busy and tricky road until he is accustomed to modern traffic. In many regions, but as yet by no means everywhere, the Indonesians were fast becoming quite expert drivers when the Japanese co-prosperity panzers came crashing through the ripening crops of Dutch-Indonesian collaboration.

There is another important thing to remember: in a true democracy, government policy, whether in the political sphere or in the economic, is neither framed nor put into operation by government authority alone.

During the last century, and also during the present one, a long battle had to be fought against the forces of conservatism, cautiousness and tradition before the present policy of political, economic and social emancipation of the Indies and of the Indonesians became the lodestar of government. That policy stands for development of the Indies by the peoples of the Indies for the peoples of the Indies, with such assistance as the Dutch can and for the time being must give in order to attain a fully representative and responsible national partnership within the realm of the Netherlands.

The earlier stages of this controversy were fought in Holland proper. From about 1912, but especially after World War I, the fight was carried on chiefly in the Indies with great vigor and conviction, but on the whole without undue bitterness in the press and in the political organizations as they grew in scope and in understanding, and, after 1918, in the Indian legislature.

As confidence in the principles of the Government and in its firm intention and ability to carry them out, increased since the middle thirties, such bitterness as there had been showed a marked tendency to diminish, until, just before the Japanese onslaught, the extreme nationalists who had been desirous of breaking away from Holland altogether, had become a negligible minority. This was proved just at that time by a comprehensive and careful survey of public opinion: economic and social policy was being shaped and elaborated by the

free interchange of opinion between the executive Government and the legislative People's Council. As soon as that became evident, one could be sure of being on the right track. Many writers on the Netherlands Indies (even recent ones) have given due recognition and appreciation to the modern policy of a Government directed economy, and some of its material achievements, but they did not yet have the opportunity of witnessing the Indonesian response to that policy which, whilst spiritual in origin, was beginning to bear tangible results.

It is not easy to summarize in a few words the major elements of what has been happening during this last inspiring decade: as so often is the case, the actual trends of a development which had already been going on for some years, were only becoming apparent in the late thirties and then the world was already far too anxiously watching the ominous clouds in other parts of the world to concentrate its attention on the Indies.

The repercussions of the great industrial depression of 1929, which played such havoc with the economy of the United States, were very severe in the Netherlands Indies. Prices of raw materials crashed; exports shrank; the prize of rice—the means of subsistence of a score of millions of small farmers and their dependents—dropped steeply, in line with world prices of wheat and other cereals; a harassed Administration saw its revenues shrivel and its plans for progress crumble. Heavy overhead expenses of a westernized roof on a primitive oriental building proved inelastic and aggravated the situation: taxes had to be raised while incomes fell. The predicament of many big plantation companies was manifestly serious and even desperate; the plight of the simple villagers whose agricultural income dwindled and whose taxes did not, was less obvious but not less grave.

Then gradually, as the trade cycle moved along its course, the wheel of fortune also turned; the Indies recovered economically, although by no means all scars were healed.

But it was not the usual recovery from a trade depression; it was not the same country that rose from the sickbed. That something very unusual had taken place did not, however, begin to be realized until several years after the change had set in.

It was plain from the outset that this crisis had not been overcome solely by the outside influence of increasing demand and better prices for commodities. The Government of the Indies had initiated for

the first time a dynamic policy of intervention in agriculture, industry and trade; far-reaching and bold schemes of directed economy and planned progress were carried out in order to cope with the evils of the crisis and to equip the community better against the impact of future trade cycles. Recovery had certainly been substantially speeded up and fortified by the effect of those measures.

This active and successful resistance of the Government and its organs to the vicissitudes of the depression; its unwonted preparedness to take drastic measures in the interest of the community at large; its new drive and resourcefulness in regulating internal economy by restraint or by encouragement, in sincere cooperation with existing trades if willing, but with little regard for the sanctity of vested enterprise whenever the interests of the community were at stake; its leadership in promoting international cooperation in the economic field; all these things at the time were a source of deep satisfaction both in Holland and in the Indies to those progressive circles which had for many years, always with sincerity but not always with a sense of reality, consistently advocated more active intervention of the authorities. A dynamic and absorbing West rushed in upon an apparently static and unresponsive East. It was all certainly new and encouraging and perhaps somewhat disconcerting and startling to many honest, but temperamentally cautious Dutchmen and novelty-shy Indonesians of an older and tradition-bound generation.

Gradually the educated younger Indonesians, themselves somewhat suspicious at times of this new form of Western restlessness, were beginning to respond, to scrutinize, to criticize, to take an interest, to cooperate. That was already, in principle, far more important and far more democratic than the strenuous activity of Government: the work was beginning to be carried by the community.

But to the careful and trained observer a third influence was becoming noticeable: an even much greater upheaval was developing. There were growing symptoms that at last those cumbrous masses of the Indonesian population were beginning to move in the economic field, not only under the stimulus and the example of the Government, but also spontaneously, as they had already for some years been moving in the political field.

Of course, that does not in any way imply that the Indies' seventy-two millions have become dynamic overnight. That will take many decades and perhaps even centuries; in the most progressive coun-

tries, incidentally, the direction of progress always remains in the heads and the hands of a few, even if the many benefit. It does mean, however, that the upper strata of the Indonesians were beginning to think and act for themselves in the economic sphere, no longer chiefly with the mentality of a motley and pluri-racial opposition, endeavoring to wangle concessions from a friendly though paternally cautious Government, but as critical and progressive partners, cooperating with the Administration for the benefit of the Indonesian nation: that was the essence of the innovation

An Indonesian nation was being born, not made, born by the will and the efforts of the best of the Indonesians themselves. The upper stratum, responsible for this movement, was visibly thickening; it was beginning to include simple village teachers, traveling traders, small middle class business men, local Government functionaries.

The European and Chinese elements were becoming conscious of their integration into this new community while the Administration felt that for the first time in history, it was becoming, slowly, but quite perceptibly, from a benevolent and progressive western superstructure, the natural and the true Government of the Indies.

The national consciousness is as yet by no means formed and mature, but while for forty years it was chiefly the Government who had been endeavoring to forge the entity, there are now at last mighty and active forces, which will in the future be the decisive power in shaping the destiny of the archipelago.

There can be little doubt that the war has exercised great influence in bringing the various groups together, Indonesian, European and Chinese. There was clear evidence before the invasion that such unity would in no way imply a break with the Realm of the Netherlands: on the contrary, there was a general opinion that by consolidating the community in the Indies, the bonds within the Realm would be strengthened and intensified.

How did this process of unification and of collaboration between Government and governed originate, how was it being developed and how far had it advanced when the Japanese for the time being stifled, not the spirit, but the materialization of progress?

Politically, democracy in the Philippines had certainly moved further; economically, democracy in the Netherlands Indies was decidedly ahead; in both countries, however, two things were ob-

vious: national consciousness was swiftly developing and collaboration with the formerly dominating western nation was becoming a reality instead of the previous progress-crippling bickerings, although healthy and temperamental criticism remained.

In no other former colonial territory anything similar could be witnessed.

Who are these Indonesians? The name is fairly new; it is without historical background or root in any of the languages of the Archipelago: it is a combination of "Indo" and "nesos" (Greek: island) and it was adopted in analogy with Polynesia and Melanesia, much less important island groups in the Pacific. It was taken over by the nationalists in the Indies who—understandably—objected to the use of the generalistic term "natives" for the denizens of the islands.

The Government had recently accepted this useful and comprehensive name and given it official recognition; it is now widely used by all who endorse the necessity of developing the national unity and the national consciousness of the Indonesians.

The Indonesians were not only in name an artificial unit. it would even now be inaccurate and premature to allege that they already fully constitute a national entity in the generally accepted sense.

Twenty-five distinct languages and about two hundred and fifty dialects are spoken by the 72,000,000 inhabitants of the islands. These languages and in many cases these dialects, are so widely divergent that an Achinese from Northern Sumatra, an inhabitant of the Padang Highlands on the West coast of that island, a Batak from Central Sumatra cannot converse in his own tongues with the other, let alone with natives of Celebes, Bali, Java or Borneo.

To the philologist there are many similarities which point to interrelation of the languages, but the differences are mostly far greater than those between the several Germanic languages. Malay is often described as the "lingua franca" of the Archipelago, but that is as yet less than a half-truth. it is the spoken, the natural vernacular of certain regions of Sumatra, Borneo, some of the smaller eastern islands and, in a totally different dialect, of the Batavia district of Java, while in a simplified and vernacular form, it is the language of a widespread section of the educated professional and commercial classes in all parts of the Archipelago.

The same wide diversity as regards language exists in the spheres of law, culture, social institutions and customs; to the student of

such matters there will be evidence of numerous interesting analogies, to the casual observer, however, the dissimilarities are generally much more obvious

With the masses the consciousness of archipelago covering national unity and the will to become integrated into a nation are still completely absent. Among the intellectuals of the other islands one often meets with unconcealed apprehensiveness of Javanese predominance

But all that is only one side of the picture. There is decisive evidence that the other side is fast becoming the more important one. If one compares the racial, religious, cultural, historical, economic ties and relationships between the peoples of the Netherlands Indies and their lack of associations with other peoples of South Eastern Asia there is every reason to consider the Indonesians as a distinctly separate and potentially unifiable entity as opposed to Philipinos, Thais, Malaysians and Chinese from Malacca, Annamites, Cambodians and Tonkinese from Indo China. With those groups they have little or nothing in common. A union of the British Empire and the United States would be an even less incongruous proposal than the amalgamation or federation of these divergent peoples.

An overwhelming majority of the Indonesians are of Malay stock, they are Moslems and have become used to cooperating in many spheres and to trading with one another under the central administration in Batavia.

But there are two much more important factors which will eventually be decisive in forging the Indonesians into a true nation.

In the first and foremost place the will to merge into a nation is very evident and active in all Indonesian political parties and progressive circles. That desire is entirely independent of any urge to break away from the Realm of the Netherlands, an urge, which in so far as it previously existed, has moved completely into the background during the last five years. It has been during recent years the positive inspiration to complete self government of the Indies and not the negative urge towards isolation of the Indies which has activated the vast majority of the politically conscious part of the population.

One of the most revealing demonstrations of the preparedness of Indonesian intellectuals to work together for the idea of becoming a nation was the joint decision of a representative conference of political and cultural leaders from all the peoples of the Archipelago

to accept the Malay tongue as the national language and to propagate its use with all means possible.

Only he who knows the deep devotion of the Javanese to their language and its cultural and traditional associations can understand the sacrifice in giving up their age-old aspiration that Javanese should become the national tongue. Few facts, I think, could be more convincing of the true will to unity than this decision which will have very far-reaching effects on education, communication, understanding and unification.

The existing vernaculars will certainly not disappear, but in the course of time there will be a common language, always the most powerful cement of national unity.

It is significant that this spectacular attack on the Indian Tower of Babel was not initiated by the Government, but by the peoples themselves. The Government has never tried to impose any language, either Dutch or Malay on the Indonesians, but has afforded full opportunities for learning both. This is in striking contrast with some Spanish and Anglo-Saxon colonizers.

There is in the second place the economic necessity of a national entity. In Java, on one-fifteenth of the total land area, we find ten-fifteenths of the total population—48 millions out of 72—, it is the most densely inhabited area in the world. Overpopulation is the dominating problem of Indian economics; indeed, most of the other major economic problems may be translated into aspects of this huge central problem. I shall have more to tell about this later on.

But this much may already be asserted without fear of contradiction: without the possibility of annually increasing transmigration from teeming Java to the wide open spaces of Sumatra, Celebes and other islands; without the promise of mounting exports of manufactures to the outer islands from fast industrializing Java, the predicament of the senior island would within a decade become an insoluble problem.

On the other hand the industrialization of Java will necessitate the increased importation of agricultural and mineral raw materials from the periphery: Sumatra, Celebes, Borneo and the other islands which, if experience elsewhere counts for anything, for many years to come will remain chiefly agricultural areas which can use the low-priced cotton textiles, footwear, agricultural implements, household utensils, manufactured foodstuffs, cigarettes, etc., from Java's expand-

ing industries, all situated within the same administrative, monetary and customs area. Other islands such as Madura, Sumba and Sumbawa furnish the rest of the Archipelago with cattle for transportation, agricultural and nutrition purposes.

Thus the islands are every year becoming more economically interdependent and it is no exaggeration to say that the surprising increase of this interinsular export trade has at least made up to a small but valuable extent for the disastrous deterioration of the balance of exchange of these primary producing territories with their industrial customers, owing to the alarming fall of the countervalue of raw materials in terms of industrial products.¹

It would be relevant to ask why it is necessary that the Netherlands-Indies should become a national economic unity when it has already for many years been a well-governed, closely-knit, administrative unity which, as previous experience shows, already offered every opportunity for the development of interinsular economic relations.

The reply would have to be that, accepting as an established fact that the Executive is becoming increasingly responsible to the central and local representative and legislative bodies and therefore of necessity having to frame their policy in collaboration with those bodies, one must realize that the possibility of further building up the economic relations and ties between the people of the several islands will be more and more dependent on the measure of national unity existing in those councils.

At this stage I shall endeavor to give a very brief outline of the governance of the Indies as it was until March of this year.

The Netherlands-Indies are no longer a colony but, as are Surinam and Curaçao in the Western Hemisphere, integral parts of the Realm of the Netherlands: Article 1 of the Constitution of 1922 lays down a formal and complete juxta-position of the Netherlands, the Netherlands-Indies, Surinam and Curaçao. The consistent policy of the Government has been to give ever more reality and expression to this principle.

In 1918 a representative body for the Indies, the Volksraad or People's Council, was established; at first this Council had only an advisory influence on legislation, but within ten years it had become

¹ The rise is spectacular: according to reliable estimates the industrial exports from Java to the other islands mounted from 34 million guilders in 1935 to 96 million guilders in 1941.

the legislature for all internal affairs of the Indies: justice, labor, finance, civil service, police, economics, education, medical services, communications, public works, the Army and, as regards the Navy, for those units actually stationed in the Indies.

The powers of the Governor-General, the appointed representative of the Crown, are in several respects comparable with those of the President of the United States.

The Heads of Departments are responsible to him and not to the People's Council. The Governor-General can veto a bill or amendments to a bill passed by the Legislature if in his opinion the measure is contrary to the general interest. But—and in this respect his powers exceed those of the Chief Executive of the United States—he may also overrule a negative decision of the "Volksraad" and promulgate on his own responsibility a bill which the "Volksraad" have rejected or seriously amended, if in his view the interests of the country demand immediate action.

In non-urgent cases, however, the bill does not become law, but may be presented again after six months with such amendments to meet the wishes of the Volksraad as the Governor-General thinks fit. If on this second introduction the bill is again turned down by the Volksraad, the Crown decides the issue, except if the controversy concerns the budget, in which case the States-General (Netherlands Congress) are the ultimately deciding authority.

It would seem that in effect this arrangement seriously curtails the legislative powers of the Volksraad and rules out any claim to its being a fully responsible and democratic body; in practice, however, the Governor-General makes less and less use of his authority to veto and there is a very marked tendency towards the Heads of Departments becoming responsible Ministers who are dependent for their success in office on their success in cooperating with the Legislature. As is so often the case in the body politic, it is convention and not the law which dominates both interrelations and procedure: that is especially true with regard to constitutional practice.

There still exist several other formal limitations to the Volksraad's legislative supremacy. In the first place, the States-General, the Dutch Congress, according to the Netherlands Constitution, may legislate on any subject for the entire Realm, thereby precluding the Volksraad from taking action: there is a similarity with the development of the relations between United States Federal and State law. But here again convention has come to the aid of developing democ-



GOVERNOR GENERAL ADDRESSING THE OPENING SESSION OF THE PEOPLE'S COUNCIL

racy: the instances in which the States-General made use of this votes to obtain a seat, but which in his opinion should be in a position to make its voice heard in the Council Chamber.

The annual budget for the Indies is passed by the Volksraad, but must receive the final consent of the States-General, who can only accept or reject, but no longer amend the budget: in practice the discussion of the Indies budget in The Hague has become merely an opportunity for members of the States-General to criticize or praise Government policy in the East with only a reluctant desire to shape or influence that policy.

The machinery by which the Volksraad was formed, would also in this respect seem to exclude its being accepted as a real institution of representative government, but, once again, convention has completely overruled the formal terms of the constitution of 1925. There are sixty-one members, thirty-eight elected and twenty-two nominated; one, the Speaker, is appointed by the Crown. Thirty members are Indonesians, twenty-five Europeans, five Chinese or Arabs.

Now here is a point in our system which is radically different from the system obtaining in most of the overseas territories of other nations. The nominated members of the Volksraad with us are neither appointed by the Government because they are officials, nor because they are supposed to be in sympathy with Government policy. The appointments are made solely to correct as much as possible the defects of a still unavoidably primitive and imperfect electoral system: the Governor-General will appoint representatives from any section of the community which has not been able to collect sufficient votes to obtain a seat, but which in his opinion should be in a position to make its voice heard in the Council Chamber.

Thus, generally a number of representatives from the Indonesian and European middle class, of the Protestant, Roman Catholic and Moslem parties, of the Indonesian and European trade unions, of important districts, of business enterprise, of the civil services, will be appointed; often also a woman member, a leftist nationalist, an eminent doctor or engineer, a socialist will be nominated. The appointed members enjoy complete liberty to criticize and censure the Government and to vote against its proposals, which in fact they often do. This liberty is jealously guarded both by the Volksraad itself and by the Government, any effort to curtail this fundamental freedom being peremptorily put down.

All this, I think, goes to corroborate my contention that, though the Volksraad, on the face of its composition and its constitutional powers, would hardly stand the test of full democratic government, in the usually accepted sense, by a positive legal criterion, it has in fact undoubtedly become already an institution which offers a fair representation of the several currents of public opinion, which can and does criticize Government policy without the slightest restraint; which can and does accept or turn down bills; which can and does ask pertinent questions; which can and does appropriate or withhold funds; which ensures public discussion of public business in the fullest sense. This latter factor is as important a feature of representative government in our Dutch conception as majority rule or sovereignty of the people. There is a fairly well-developed party system; of several parties Indonesians, Europeans, and Chinese are fellow-members.

I should add that in addition to the Volksraad there are everywhere provincial councils, and, for local legislation and administration, municipal and rural councils.

One may inquire whether there is anything like general satisfaction in Indonesian circles regarding the present political system. The reply would have to be that there is not, at least in that still comparatively thin upper stratum of the Indonesian community which is conscious of political and other problems. A desire for further extension of political rights and suffrage, for formal embodiment in the constitution of conventional practice, an ambition to obtain greater influence within the Realm on affairs of the Realm as a whole, is certainly alive and is consistently propagated both inside and outside the People's Council. That is, it appears, natural and reasonable. It is only in dictator countries that the demand for political, social, and economic reforms appears to be absent, simply because it is stifled. Factual and conclusive evidence was obtained by a frank and searching inquiry from extreme nationalists, shortly before the Japanese invasion, that if a revision of the Constitution is effected which removes the remaining barriers to complete self-government of the Indies and which insures to the Indies full partnership in the handling of problems of the Realm as a whole, the vast majority of politically conscious Indonesians would much prefer a dual Realm with the Netherlands with some common superstructure to separation from Holland.

Queen Wilhelmina has promised a conference of the Realm after

the liberation of the occupied parts of the Kingdom and it is certain that both Indonesian and progressive Dutch circles entertain high hopes of the outcome of that conference for the future of both Holland and the Indies: there seems to be every reason to expect that these hopes will be fulfilled.

For an outsider it is not easy to realize the significance of this promise from our Queen: to understand it he must try to grasp the unique position of our Sovereign, who is a living, binding element in the relations within the Realm.

"The King can do no wrong" is an old concept of British constitutional law, but it is no less a basic principle of the Netherlands Constitution. The Crown is immune from criticism, not only in Holland, but also in the Indies; that is an axiom to which even the most vehement nationalists in the People's Council in Batavia scrupulously adhere. This, however, is only the cold, legalistic side.

The Queen is, and during these terrible and anxious years has become more so, not only the Sovereign of the Hollanders, but also their inspiration, their voice, the expression of what they feel and think and suffer: she fulfills that function with the intellectuals, but also, and perhaps even more so, with the simple people on the farms and in the workshops, because everyone knows, everyone senses in her very direct speeches over the radio, not only that religion and Dutch democracy are safe with her, but that she symbolizes our way of living and thinking, without which she herself could neither live nor rule.

In the Indies the feelings toward the Queen are no less profound, but they are different, because the soul of the Indies is different. Out there Sri Baginda Maharadja, Koningin Wilhelmina, is an exalted object of reverence, almost of worship; she has become the symbol of peace, of goodwill, of religion and of valiant opposition to the forces of intolerance and persecution, but at the same time the poor in spirit feel her protecting nearness.

A promise from the Queen is a sacred pledge; the old Javanese adage says: "what proceedeth from the mouth of the Prince, shall not return."

Governments come and go; they may be good, bad or indifferent; they may be able to keep their promises or, perhaps, through no fault of their own, they may have been superseded before the time of fulfillment.

But now the Queen herself has promised a more equitable society, a more progressive constitution, peace and greater happiness, there are undoubtedly better times ahead.

An Indonesian nation will have as full scope for spiritual, political, social and economic liberty as will the Dutch nation: free in their respective homes, they and the Dutch will be partners to the world.

CHAPTER II

Problem Sinister

For close on a thousand miles from Anjer at the northwestern tip of Java to Banjoewangi in the eastern extremity of the island, the Great Post Road winds its long and tortuous way through untold shady green villages and sunbaked townships, through gloomy rubber estates and cheery tea gardens in the foothills, through golden rice crops and silver-plumed sugar cane fields in the plains, through threadbare teak forests and luxuriant coconut groves, across broad, brown, sluggish rivers and by towering blue volcanoes.

Walk along that road for a while anywhere at any time of day or night at any season of the year and you may get some perception of what pressure of population actually means. New York's Times Square on a cool Saturday evening is surely far and far more crowded, but even Broadway does not continue for a thousand miles: everywhere, always, on the century and a half old Great Post Road you will find people: bent-kneed, wiry-legged men in singlets, jogging along at a slow trot with bundles of merchandise dangling from a creaking bamboo pole over their shoulder; long strings of women in brown and blue, baskets on their shawled heads, sauntering along single file, chattering lively; little groups at a crossroad, squatting by one of the myriad wandering "delicatessen" stalls; buffalo-drawn carts, swaying cyclists, droves of cows, trucks, cars, but mainly walking people, just walking, always walking, in the blazing sun in the drizzle, in the moonlight, in the dark their ubiquitous torches shimmering and blinking like fireflies: walking, walking.

There are 17,000 miles of road in Java of which that Great Post Road is the main artery: I have seldom seen an empty stretch of highway. Sometimes in the midday heat in central Java, driving for scores of miles from one straggling, teeming village into another, through one endless chain of swarming people, I have actually felt the weight of that intangible, sinister, ever-present, always expanding, suffocating mass of humanity drop right onto me: it gets you that way, if you are inclined to sense such problems physically.

But that is the emotional side of the problem, which is not our



ENDLESS PROCESSION

Courtesy Royal Packet Navigation Company A. P. M.

business; here are a few figures: confess that I have not burdened you with statistics overmuch up to now.

The last decennial census to be held in the Netherlands Indies was in 1930: a new one was in preparation for 1940, but owing to the outbreak of war, it had to be postponed.

The census of 1930 revealed that the total population of the Indies was 61 million of which 42 million lived in Java; in 1920 the figures had been 49 million and 35 million respectively; in 1900 they were estimated at 28 million for Java; in 1880 at 20 millions; in 1860 at 12 million: reliable earlier figures for the whole archipelago are not available.

A good estimate for 1941 is over 49 million for Java and nearly 72 million for the whole country. It is significant that Java, one-fifteenth of the total land area, in 1941 held more inhabitants than the whole of the Indies had as recently as 1920, while today this one comparatively small island harbors more than two-thirds of the whole population.

Java is the most densely inhabited major area in the world: there were already in 1930 800 inhabitants to the square mile while for the whole archipelago the density was 71 p. sq. m. For comparison here are the figures in that year p. sq. m. for a number of other countries:

United States	.....	40	Italy	.....	340
Netherlands	.....	578	Japan (Proper)	.....	425
Belgium	.....	670	India	.....	190
France	.....	190	China (Proper)	.....	140
United Kingdom	.....	485	Argentina	.....	10
Germany (Proper)	....	350			

For the delta of the Nile, world's population phenomenon, the figure rises to 3960 per sq. m., but one of the Cheribon districts in Java tops that with 4100.

Taking the index of population of Java in 1920 at 100, it was 36 in 1860, 60 in 1890, 119 in 1930.

The present absolute increase per annum for Java may safely be placed at about 750,000.

Now what do these figures imply? In themselves they undoubtedly look formidable and even sinister, as indeed they are, but one cannot draw any reliable conclusions from them without some

further investigation of the background against which those figures should be seen

A problem of overpopulation only exists, when the equilibrium between the actual population of a country and the available means of subsistence of the inhabitants has been disturbed

A thriving industrial and commercial city with three million citizens covering some ten square miles may not be overpopulated while a hundred people may find a serious problem in as many square miles of sandy desert. But even if we have removed the criterion from the density of population per sq. m. to available means of subsistence per head, we have only shifted the question: when does overpopulation set in? When is the equilibrium between population and means of subsistence actually disturbed? What are means of subsistence and when are they inadequate? When they are falling below the quantity of a former period? When they imply famine, destitution, sub nutrition, privation, mere straightened circumstances, or less than an optimum? For the community at large or for certain sections? According to some general objective standard accepted for humanity at large or according to what the people themselves or their own hygienists feel about it? There will, it appears, always be a subjective element in the criterion. I think for our purpose it is sufficient to note the difficulty

It is just over five years ago that I read a paper on this subject to the annual congress of the Association of Foresters in the Netherlands Indies at Bandung, Java.

I suggested that while, notwithstanding the fact that the consequences of overpopulation of Java had been held up to us as an impending disaster for some sixty years, we had been able to cope with the situation until then, the position would of necessity soon become critical unless we embarked with the utmost vigor on very radical measures of which I mentioned speeding up of transmigration and industrialization as by far the most promising.

The possibility of new great irrigation schemes, which in previous years had added enormous tracts of fertile land to the cultivated areas, seemed almost used up in Java, new land suitable for agricultural purposes was becoming exceedingly scarce, the annual use of the soil in percentages of that soil was 131 in 1926 and had risen to 142.4 in 1936, there seemed little hope of increasing that really most satisfactory percentage, the half century long steady expansion of western cultivation for exports appeared to have come to a defi-

nite standstill. Most estates were suffering from serious overcapacity in terms of world requirements.

Altogether the picture with the more than 700,000 annual increase looked pretty grim, unless very drastic measures were applied in the spheres of transmigration and industrialization. In those respects an immense amount of progress has been made in the last six years as I shall demonstrate in a later chapter, but it would seem certainly not enough to solve the problem.

Nevertheless since the time of that lecture of mine, Java which every year imported considerable quantities of rice from Burma, Thailand and Indo-China, became self-supporting in the production of this staple food; moreover, Java has been able to export more rice to the other islands which are unable to cover their own needs of rice and in the third place the amount of food available per head has somewhat increased in those five years, although the increase in weight per head was larger than the increase in food value.

It is true that the Government—the menace of war before their eyes—made a great effort to encourage food production to the extent even of curtailing the cultivation of non-essential export products in some regions, and it is also true that the authorities obtained powers to enforce the cultivation of foodstuffs, but I must with contrition confess that in 1937 I had not dared to expect such gratifying results or such strenuous exertions both by the Indonesians and their advisors.

So having somewhat happily failed in my predictions of half a decade ago, it is with some humility that I venture to maintain that the threatening problem is still with us and that an actual catastrophe has only been averted for a few years unless we can, on an even much larger scale than we have been able to do so far, continue the measures which can bring relief: transmigration from Java to suitable areas in the other islands, further industrial development; still further perfection of agricultural methods.

It is no exaggeration to say that the problem of overpopulation is the central problem of Java—and therefore to a large extent of the economy of the Indies; the vital problem primarily of finding food for more mouths and secondarily—most desirable, but definitely secondarily—more food for each mouth.

The Government of the Netherlands-Indies had been making an all-out, large scale effort to solve their population problem by sev-

eral expedients; a few of the most important ones I have mentioned, and I shall be returning to these later on.

There is one expedient which does not find a place in our textbook on combatting the problems of overpopulation: there is no chapter on how to solve overpopulation through shouldering other nations with it by trying to grab their territory.

Now the German-Japanese conception considers that to be the main, the natural, the effective solution; if one has not, or imagines one has not, sufficient "Lebensraum" oneself, one can always invent a slogan to justify taking another man's Lebensraum: the "Herrenvolk" paranoia or the "East Asia co-prosperity" hallucination.

The Japanese have a charming phrase which is always on their deceitful lips, but which fools nobody who has had to deal with them: "live together, thrive together". In practice it boils down to a policy of "live and take."

Before the war in the Pacific, Japanese writers used to enlarge on the necessity of Japanese expansion towards the Nanyo, the south, implying chiefly the Netherlands Indies. They were very vociferous and very candid about it all and in the last few years the Indies Government had to spend, not without some sad feelings, a great deal of the money they had intended for measures to solve its own population problem, on measures to stop the Japanese from solving theirs in their simple, acquisitive style.

Not because we felt that under any circumstances could there be justification for the German-Italo-Japanese conception of "I need, therefore I take", but because we were interested in the facts of the case, one of our most able agro-economists undertook a comparative study of Java-Japanese population problems.

Well, the issue is now, on Japanese initiative, being fought out by the crucible of power instead of reason, but I think the summary of that careful study is still worth recording here:

"The conclusions to be drawn from all this may be formulated as follows: per head of the population of Java there is 45 per cent less soil available than in Japan; per head of the agricultural population there is the same amount of soil available; the production of cereals per head in Java is 40 per cent less; production of sweet potatoes per head of the agricultural population is the same in both countries; the intensity of cultivation is identical in both countries; by further domestic opening up of virgin land Japan can absorb an increase of population of 17 per cent, Java 3 per cent, given a continuation of the existing relation between agriculture and industry; the percentage of immigrants from Java in the other islands of the Indies (3 per cent) is identical with the percentage of Japanese immigrants from Japan Proper to other territories controlled by Japan (before this war); the necessity of further expansion by industrialization and transmigration to the other islands is most urgent in Java in face of the scarcity of soil reserves; the general impression is that the problem of overpopulation is more serious and more imminent in Java than in Japan."

Before coming to a brief exposition of the many ways in which the economic problems of the Indies have been tackled in the last decade, I have first to survey the economic development of the Netherlands Indies under the system of free enterprise during the previous sixty years: its signal successes and less obvious shortcomings; subsequently, how the depression of 1930 speeded up the arrival of a directed economy in the Indies and what the tenets and characteristics are of that remarkable directed economy, remarkable because of its immanent purpose of fostering initiative and enterprise in the community.

CHAPTER III

Freedom Oversteps

The second half of the nineteenth century marked the greatest triumph of freedom the world had ever yet witnessed. At least, this was the honest belief of the people who were framing the destinies of mankind.

Freedom of religion, freedom of thought, freedom of press, freedom of assembly, freedom of enterprise; laissez faire, laissez aller; every man decides his own interest, every man knows his own interest, every man can best pursue his own interest: those were some of the tenets of the school of Adam Smith and his disciples, developed in the last quarter of the 18th century, tenets which steadily acquired universal recognition after the Napoleonic wars. Men fought for these ideals with perhaps even more genuine enthusiasm than with which they are fighting for Democracy today. In the eyes of 19th century liberals the State's only title to existence was its duty to uphold and safeguard these freedoms and its function as a keeper of the peace under which those freedoms flourish.

Whatever disillusionings this primitive and rugged liberalism in practice may have brought to the world at large, there is no doubt that in the eighteen sixties the conception of human progress was inseparably welded to freedom and that freedom then applied chiefly to the individual.

When in the Netherlands Indies the short-lived system of compulsory cultivations for the Government, in the late sixties, was abolished under strong pressure from the States-General, (i.e. the Netherlands Congress) and Dutch public opinion, the natural, fashionable, idealistic, proper thing to do was to turn over the development of the Indies to free enterprise, in conformity with the liberal ideals which had been shaking up Europe for twenty years almost as fiercely as the French Revolution had done some eighty years earlier.

There can be no doubt that the practical Dutch idealists who instituted the reforms of 1870, though certainly mindful of potentialities for Holland itself, were quite sincere in their conviction that

in giving its chance to private initiative in the Indies, they would be acting in the best interests both of that country and of its inhabitants: free labor for free enterprise in a frame of world free trade would bring to the Indies prosperity and development and to an eager and avid world a great increase of resources.

Labor had ostensibly become free by the abolition of slavery in 1863; enterprise was now to be released from its hampering shackles: by all portents a golden age was at hand for the Indies.

That is what in many respects these new departures actually did bring about: at the time one could hardly foresee that the system would develop such undesirable concomitant effects that "free enterprise" eventually became from a social and economic ideal to be almost a byword for capitalistic exploitation.

With Racine, economic liberalism might now well exclaim: "I have merited neither these excessive honors nor these indignities"; I am returning to this point presently.

Notwithstanding their eagerness to let the protagonists of free enterprise have their fling, the framers of the new policy must still have had some misgivings about its unfailing efficacy, for, while on the one hand, among other facilities, they created the possibility for agricultural development-companies to obtain long term leaseholds of virgin land which was to be opened up for new cultivations, they, on the other hand, simultaneously prohibited the sale of Indonesian freehold property to non-Indonesians. This most important and far-reaching provision has remained for over three score and ten years the backbone of agrarian policy in the Indies. It proved a most beneficial measure and has prevented Indonesians whose thoughts for tomorrow are inclined to be rather vague, from selling for a pittance their greatest asset—their soil—to western companies.

It is interesting to note that, as in so many innovations which the Government has effected as general measures in the course of years, the prototype of the prohibition to sell land to non-Indonesians is to be found in the "adat"—native common law—of the Indonesian village: the villager has from time immemorial been unable to sell his land to an outsider.

Free enterprise was not slow to make full use of the opportunities which the new system afforded. Enormous capital was invested in agricultural and mining ventures and development proceeded on a scale, comparable with agricultural and industrial expansion in

some parts of the U. S. A. in the boom periods. On the whole, however, notwithstanding the great drive, there was little unsound and unduly speculative investment: Dutch capital which evinces a happy combination of cautiousness, progressiveness and perseverance, usually prepared its way carefully, making as full a use of science as of accountancy, coupling local knowledge and methods with experience and machinery gathered from the four corners of the earth. This swift and well-planned development does not imply that the road to expansion and progress was by any means a straight and a smooth highway: many were the disappointments, trials and setbacks.

Now there is a thing that is inclined to nettle a Dutchman who has spent a large slice of his life either in public or in private service in the Indies, i.e. when he reads about the "boundless riches" of that country, as if one just had to go there and collect wealth like pebbles on the beach.

One cannot gather coffee or tea or sugar or rubber by planting one's walking stick in the ground and sitting down to watch it blossom and bear fruit. Many decades of strenuous work, courageous and careful planning, of standing up against seemingly insuperable odds; literally, grimly, starkly: blood, sweat and tears have gone into that soil of the Indies; enormous capitals have been invested and lost to make it the world's storehouse that it has become. It has been a man's job, not a curio collector's.

In a sense the Indies are—in part—a rich country: there is—in some of the islands, but by no means in all—a very fertile neo-volcanic soil; there is—again in some of the islands—abundant rainfall, conveniently spread over the seasons; there is an intelligent, industrious, reasonable population, willing to make use of nature's conditional gifts of soil and climate: only Java, however, is densely populated and as such a natural reservoir of easily accessible labor.

The islands are geographically admirably located for world trade. That is all.

That "all" may become a great deal if the opportunities are well used. I do not hesitate to say that they have been well used, and used, not by the Germans, the Japanese, the Italians, the Spaniards, the Portuguese, the Swedes or the Greeks, nor to a very large extent by the British or the Americans, but just simply by the Dutch, in ever growing cooperation with the Indonesians themselves.

It is just too easy to talk disparagingly about "colonial exploita-

tion" from a swivel chair behind a desk at home. Does one know what it implies? Does one realize what this world of ours owes to this co-called colonial exploitation, this world, including the "subjugated peoples" themselves?

We must, I feel before we criticize, give capital—Dutch, but also British and American—its full due in this respect. As I shall try to prove, the system of untrammelled free enterprise has had its day in the Indies, as it has had in most parts of the world. Please do not deduce from this that in the Indies there will no longer be room for private initiative: we shall need it desperately, both Indonesian and Western, but it will be the Government that will decide, how, where and to what extent it can operate. It has done great work, but in the Indies it was let loose, I will admit, unavoidably, on an environment not yet prepared for it and it was given too much rope: it was a clear case of too early and too much. Tremendous results have been achieved in the economic and commercial fields: if, which I doubt, the undeniable social defects of the system have overshadowed the economic benefits, they were the defects of its qualities, the defects of the period, the defects of overemphasis.

Free enterprise has many important items in its credit balance. Almost everything that is grown in and exported from the Netherlands Indies is of foreign origin: Our forbears came to the Indies in quest of spices. They settled there and transplanted from elsewhere to the islands, in the course of over three centuries, practically all the cultivations which are now of such immense significance to the world. The only important export products of today that are indigenous are the coconut, the soya bean, and still the spices. More especially during the last century and the present the Dutch have scanned the tropics of four continents in search of new and likely immigrants of the vegetable kingdom. And every fresh cultivation from imported seeds or planting material they have developed to stronger strains, higher yields, better qualities. The figures are there to prove it.

The history of the introduction of some of these cultivations reads like romance. From China and Assam we brought tea; from tropical Africa coffee and oil palm; from the Peruvian Andes cinchona; from temperate America tobacco; from tropical America kapok; from Mexico maize, sisal, fibres and cocoa; from Brazil tapioca and rubber; from China tung oil. Sugar and rice were the only immigrants which had already become humble residents when the Dutch arrived in the Indies.

Vast jungle lands have been cleared, swamps have been drained, dry plains irrigated, hillsides terraced. Efficient planters were trained in Holland; the Indonesians initiated into the intricacies of new agricultural methods. Enormous capital has been invested; serious and chronic disappointments and setbacks, slumps and droughts and insect pests have been overcome; ever more modern installations developed for us in Holland and other countries. Millions of Indonesian labourers in populous Java found employment or were recruited to work in the newly opened uplands of Sumatra and elsewhere. Many research laboratories and experimental stations were established, beginning as long as three-quarters of a century ago. They have earned a world-wide reputation for efficiency, perseverance and inventiveness. The best scientific workers were enlisted, not only from Holland, but from all over the world; they developed new methods of soil improvement, new varieties, new ways of fighting pests and plant diseases, new mechanical and technological processes. This all applies to agriculture, but the mineral products were not waiting to be scooped up as the jewels in Aladdin's cave. Into the oilfields and refineries, into the tin, coal, bauxite, gold, and silver mines many millions of capital, many years of survey and study and labour have been put. Railways, roads, shipping and airlines, ports, docks, wharves, godowns were established.

The products from the Indies—"have nots" please note—have always been sold in the world markets at world market prices without favoritism of any kind to buyers of our own nationality. The Atlantic Charter speaks of "free access to raw materials"; well, the products of the Indies have been as accessible to Germans as they have been to Dutchmen and Americans.

"That is a half-truth", croaks a German voice in the audience; "we have indeed been able to buy your products at world market-prices, but we couldn't pay for them, as since 1918 we have been denied the opportunity of earning big money in colonial development and trade." "Hear, hear", shout an Italian and Japanese chorus. I shall have more to say about that myth of "big money" later on. Just at present I shall deal with this alleged lack of opportunity. Here is my reply: since free enterprise was initiated in the Indies, it has consistently been free enterprise for capital of every nationality on equal terms with Dutch and local capital. This is to say, until around 1934, Japanese enterprise began mixing its economic activities with political penetration, subversive propaganda and under-

ground spying: then we reluctantly had to place a turnstile in the open gateway, but we were, I am afraid, still too lenient with gate-crashers, looking at it a posteriori.

Now what have been the results of this open door policy? One would have expected the vociferous "have nots" to have made full use of these generous opportunities.

Here are the actual figures, calculated recently by a colleague of mine; I cannot vouch for their complete accuracy, as there is always an element of estimate in such calculations, but they appear to me to give a good impression of the proportions of agricultural, mining and industrial investments. The Dutch were computed to be in the region of guilders 2,500 millions; Indonesians 900; Indies-Chinese 320; British 450; French and Belgian 160; United States 380.¹) Now, without taking the Dutch, Indonesian and N.I.-Chinese capital outlay into consideration, that makes 990 millions for the British, the Americans and the French; Japanese, German, and Italian investments amounted to about 30 millions each. This shows how the Axis Powers who are always lamenting the impossibility of obtaining access to raw materials, in a country where, more than anywhere else, opportunity was open to all alike, invested less than 10 percent of what the now allied countries (without the Netherlands and N.I.) were prepared to put into that same territory which was as foreign to them as it was to Germans, Italians, and Japanese.

Gradually, as Indonesian initiative developed, with full encouragement and assistance of Government services, cultivation of commodities for export ceased to be a monopoly of Western managed estates: Indonesian export-agriculture for their own account became, especially in Sumatra, Borneo, Celebes and several other islands, a large scale partner of European plantations. Although these Indonesian ventures were mostly small holdings, they formed together a very vigorous and powerful entity, in several respects more capable of weathering economic depressions than the western concerns. Copra, pepper, and kapok have been always overwhelmingly native crops; half of the coffee exported comes from Indonesian-owned gardens, as does a large proportion of the tapioca and maize.

¹ The rise is spectacular: according to reliable estimates the industrial exports from several times these amounts) of reinvestments out of undivided profits: most of the companies have followed through the years a policy of limiting the enlargement of their capital: development of new estates, new plants, new ventures, when possible, is financed out of returns.

Native rubber, however, is by far the most interesting and comprehensive of these. Encouraged by the authorities, the Indonesians began planting rubber on a large scale in the early twenties and twenty years later they were producing, before the Japanese occupation, more than 20 percent of the world's requirements. Half of the Netherlands-Indian rubber exports come from the gardens of individual small producers.

Above I have mentioned, among the investments in the Netherlands Indies for the Indonesian community a sum in the region of 900,000,000 guilders—that is a very interesting figure; when it was first shown to me by a friend who had worked out the calculations, my first reaction was that it seemed a good deal too high, but when the way the figure had been arrived at was explained, my conclusion was that it was definitely a conservative estimate. Of these 900 millions, over 700 millions represent coconut, rubber, coffee, tea and several other perennial plantations; non-perennial plantations—rice, tobacco, tapioca, ground nuts—and land tenure as such, have not been taken into account.

These Indonesian planters of Sumatra and Borneo who work for the export markets are often shrewd, keen and progressive businessmen and many of them, living far inland in small townships, will gladly discuss with you the trends of New York and London produce markets: in fact, quite a number of these, up-country, maybe two hundred and more miles from the coast, get their daily price quotations of world markets by cable from their brokers or bankers in the harbor towns.

I shall have more to tell about these Indonesian planters, and especially about rubber, further on—it makes an interesting story, I think, but it would be more palatable reading if we still had that rubber actually flowing into this country.

I find that I have been drifting away somewhat from my subject, which was an effort to assess broadly the credits and debits of free enterprise in the Netherlands Indies during the sixty years from 1870 to 1930.

Summing up the case for the defendant, I submit that with enormous energy, foresight, capital outlay, scientific methods, it has, against heavy and often seemingly insuperable odds, made the Indies a storehouse of agricultural and mineral commodities for the whole world, by transplanting cultivations from everywhere to the Indies, cultivations which were improved in quality and in yield, and by

exploiting the mineral resources. Free enterprise gave work to millions and thus it was an indispensable factor in helping to cope with the population problem.

On the whole, with the Java sugar industry and tobacco in Java and Sumatra as principal exceptions, it has opened its plantations in the jungle on virgin soil, thus not withdrawing land from cultivation by Indonesians. It accounted for a large share of the country's revenues and thus contributed indirectly but substantially to the feasibility of many schemes for the welfare, the education and the technical progress of the country at large.

Many public utilities in the wider sense of the word—electric power and distribution systems, ports, roads, railways, telegraphs, telephones, shipping and airlines, hospitals and clinics, by which the community as a whole undoubtedly profits, could never have been established without the great export industries—including, naturally, the Indonesian planters, "the little drops of water, the little grains of sand"—as mighty and regular customers. A mainly cautious dividend policy, which generally preferred reinvestments in new ventures or in the improvement or expansion of existing equipment, to the payment of high returns to shareholders, effected great savings amounting to billions of guilders. Under the prevailing circumstances, no other system of production than free enterprise in those sixty high-g geared, dynamic years could have accomplished what has been achieved.

In addition, and that is perhaps most important of all, whatever modification the system of production in the Indies may undergo in the future, an incomparable productive apparatus, with world-wide experience and unique technical knowledge has been built up which will serve as an invaluable heritage to the Indies, under any system that may evolve.

A ruthless and destructive foe, when abandoning the country, may attempt to damage this apparatus, a determined Government at bay, in its desire to withhold vital assets from the enemy, may temporarily spike it or put it out of gear, but seen by a large view, neither can permanently and effectively dismantle the bronze monument of production which has been erected for the Indies and for the world.

Unfortunately, there are less prepossessing aspects of the system, although I should stress at the outset that many of them are not the outcome of colonial relationship as such: several exist everywhere as a by-product of the capitalist system: one may perhaps

maintain that the circumstances of colonial domination especially given a too commercially minded or too intervention shy government, tend to aggravate undesirable developments while, as has been said before, in the clash of progressive western enterprise and primitive oriental economy, the scales are not always evenly balanced

Let us now hear the case for the prosecution I am speaking of the situation before the depression, although much has been changed, as we shall see, there remains still a great deal to be done

A great many of the companies operating in the Netherlands Indies are domiciled outside the Archipelago, principally in Holland, but also in England, the United States, France and other countries, representatives of those companies in Batavia, Sourabaya, Semarang and Medan have no ultimate authority over the policy of their concern and in many cases this leads to a kind of absentee landlordship, which is not in the interest of the Netherlands Indies

The shifting of the center of gravity from Holland to the Indies has, in many cases, been considerably slower in the sphere of private business than in that of Government As, however, the authority of the Government in Batavia grows, private interests began to realize that the only place where they can plead their case with effect, if the case itself is good, is in Batavia

Quite a number of companies are themselves already established in the Indies and I feel convinced that the Government of the Indies will have something to say in the matter when the war is over

A second objection is to what is sometimes styled the "drainage" system it is the objection that a large part of the profits of western enterprise flow out of the country to shareholders abroad One must concede that to an extent the allegation is true Short of such extreme measures, apart from other obvious objections, as confiscation or expropriation, however, which would probably injure the country much more than benefit it, it is difficult to devise direct means to terminate this outflow the Indies are still, as were the United States before World War I, and as are most agricultural exporting states, a debtor country the payments abroad are undoubtedly an economically weakening factor The most effective solution is the development of local capital and that has been, with an increasing measure of success, an important element in Government policy during the last decade

Taxation of enterprise at the source of the profits is already high and there is definitely a limit to what is a wise policy in this respect

As was mentioned above, the traditional policy of many—not all—companies to declare moderate dividends and to use a substantial part of their profits for reinvestment in the Indies and for the creation of reserves, tends to mitigate the grievance but even if one concedes that capital is entitled to a return for its services and that without that capital little would have been achieved, one cannot help feeling the handicap of this permanent burden on the country.

A third serious objection to the position of free enterprise in the Indies was that it had grown too powerful in the country and that it wielded that power in order to retard progress in the political, economic and social fields, lining up for that purpose with other conservative groups. There is no suggestion that business tried to use bribery or anything like it, but there was at one time certainly more activity, lobbying and browbeating by private interests on political issues, both in Batavia and in The Hague, than is consistent with the proper place of business. I think most of those who clamored against the Government's policy, were honestly alarmed that the country was going to the dogs—I myself am a convert—but one cannot quite get away from recollecting Marx's theory that environment makes the man and that business' outlook often coincided with political convictions.

After all, this symptom is no more peculiar to the Indies than is the fact that the influence of big business tended to dominate not only in the center but often also locally by its economic preponderance.

It is perhaps in the rural environment that the effect of sheer economic weight has been most harmful and most vexatious. Without infringing any law, an estate, a shipping agency in one of the outer islands, a bank, a wholesaler, is sometimes able to impose a situation on a community which harms the interests of that community and impairs its freedom of action. It is that kind of economic power which is an offspring of untrammelled freedom and which tends to make political democracy a dead letter: that is a field where freedom quite definitely oversteps and again, this is by no means the case in the Indies alone.

In crude terms it boils down to the fact that free enterprise in the free state upholds its right to do as it pleases and denies to Government the right to do what it should: it appears that it is only Government that should be fettered.

There are a few instances which have been peculiarly invidious.

For many years the Government, both central and local authorities, have been gradually "indianizing"—it is not an elegant term, but it is customary—the services and placing Indonesians in positions of responsibility whenever suitable candidates are available, without ousting in any way efficient Europeans or impairing their careers. Private enterprise on the whole has not followed suit: few of the numerous Indonesian employees have found their way to top positions, notwithstanding frequent representations by the Government that this attitude is neither fair nor wise. Many Indonesians occupied so-called "middle" positions, but very few got any further.

All kinds of excuses were offered for not complying with the Government policy: Indonesian lack of initiative, lack of business instinct, lack of integrity, lack of experience, lack of perseverance. It is quite possible that in many respects the reluctance was genuine and that in some cases it had some foundation when viewed from a narrow business standpoint, but it was poor policy and was one of the reasons why very unfortunately the educated Indonesian classes are inclined to see the big business interests as their opponents. Moreover, as long as Government-directed economy with which I am dealing in the following chapters did not help to define the place and scope of many branches of industry, it remained very difficult for Indonesians to embark on enterprise of their own on any worth-while scale and one can readily understand the disappointment of a young university-trained, Indonesian engineer, who sees meagre prospects of obtaining in due time a responsible position in western enterprise and at the same time small possibilities of building up something substantial of his own; I repeat that this was ten years ago and that things have been moving fast since then.

Wages and labor conditions were another bone of contention. In terms of purchasing power wages in many branches of enterprise were certainly not unduly low, although there were exceptions, both as regards certain species of labor and as regards wage levels during the downward trend of trade cycles.

Blame for these attaches to the Government which for long did not intervene, to certain branches of industry and agriculture which failed to pay at least reasonable wage rates, and perhaps more than anything to the continually deteriorating international rate of exchange for tropical agricultural export products, which made adequate remuneration of labor, especially during a depression, a dif-

difficult matter indeed. As I am returning to this point later, I will confine myself here to the remark that it is in the region of wage control that the Government of the Indies was decidedly remiss for too long a time. It only initiated a definite policy in this respect when in many other spheres of economic intervention was already an established institution. I add that in a country like the Indies it is a most intricate problem for the Government to tackle, bristling as it is with pitfalls and quicksands, if the reader will for once accept a very mixed metaphor.

These were the main points of criticism against western enterprise in general before the great depression of 1929 set in. There were also several sources of grievance against specific branches of business.

Four of these have been popular targets through the years, especially in the People's Council: sugar, oil, shipping and the estates on the East Coast of Sumatra. The Java sugar industry has probably among all the other western branches of enterprise, brought the greatest measure of prosperity to the population over a long series of years, but it is in a much more difficult position than any other industry. It has to lease its land from the villagers of Java, because it has to use irrigated land instead of clearings in the jungle; it is subjected to elaborate legislation in its agrarian relations to the native landowners, it has to share with them precious irrigation water, precious to sugar-cane, but no less precious to adjacent Indonesian ricefields, and the sugar estates held much too long to a most unpopular and antiquated system under which they got the water by day and the Javanese by night. The regulations have since been radically modified. The estates have an abundant reservoir of labor in the populous districts where they operate, which does not tend to raise the standards of pay. Before the depression sugar used to employ 50,000 hands all the year round and 750,000 additional ones in the harvesting season.

The sugar industry in the wide open spaces of Java lived in a very large glass house and it was extremely difficult to keep all the uncurtained rooms tidy all the time. It was, moreover, very powerful for a number of years and was perhaps rather prone to exhibit its muscles in the market place.

As for oil, it seems to be always and everywhere unpopular and the Indies are no exception. Sinister relationships and dark deeds are readily ascribed to the oil companies. In the Indies the recurring grievance of the People's Council was that oil was not paying enough

towards the budget of the country in relation to what it was taking out. It may be true and it may not, but one is inclined to agree that through the years they did not seem to do so badly.

And lastly, the estates on the east coast of Sumatra for many years were the object of much criticism, because of the indentured labor which existed there: it is a good thing that it has now been completely abolished.

The depression of 1929 marked the end of expansion of agricultural exports for the time being and quite possibly for years to come. Before the disastrous October of that year there had already been warnings of impending overproduction: when subsequently consumption contracted and prices collapsed sharply, the exigencies of retrenchment of output and no longer the possibilities of new developments occupied the minds of estate and mining directors.

There had been downward trade cycles before, but none had been so devastating, none so all-pervasive as this one.

Trade cycles are a recognized accessory of the system of free enterprise: the terrible industrial depression in the United States roused countless people in that country to the noncomitant scourges of our system of production among which unemployment is the most formidable.

I need not dwell on the vast economic and social reforms initiated in America in order to bring about a more equitable organization of society: it is fortunately far beyond the scope of this pamphlet to try to pass judgment on their effectiveness or their failures: in the Indies with their weak and unstable economic foundation, based on exports, deliberate and radical action by the Government was indicated.

To many thinking people it became abundantly clear that a system, whereby the whole country was being wrecked economically through outside influences, could not be permitted to continue without radical modifications and it was also quite evident that the economic basis of society was much too narrow.

When the hard pressed estates in their fight for existence fired many thousands of workers, screwed down wages sometimes to below subsistence level, and repudiated on a large scale agreements with the Indonesian small holders for the lease of land, profiteering unduly from the typical Indonesian reluctance to hold a man to an unfavorable contract; when rice-prices on which millions of In-

Indonesian farmers depended, dropped steeply in sympathy with foreign cereals; when a shipping company got into difficulties and railroads failed to meet their obligations, when imports shrank and the regular buyers of our commodities in Europe became restless, because we could no longer afford their industrial products, when Japan, disguised as a blessing, flooded the country with cheap textiles, threatening to annihilate the young local weaving industry, when Government revenues became so meagre that the most essential health, welfare, educational, technical services had to be cut down to below a bare minimum, then there was a sharp reaction of public opinion.

And when the play of free enterprise in these years developed into a death struggle for the survival of the fittest, bleeding the community white, while Government, according to the traditions of "laissez faire" had to remain a passive onlooker, there grew a general realization that the system in its pre-World War I form had had its day and that it was the bound duty of the Administration to intervene and to take over the supreme control of the country's economy.

CHAPTER IV

Levers to Democracy

It cannot be said that the Government of the Indies jumped at the opportunity to interfere in business relations. It was a thing that had not been done and, what was more, it was a thing that was not done. Flutterings in the Batavia dovecotes: Government would be taking sides, might lose its prestige and position as supreme arbiter in economic controversies, so supreme by the way that it seldom arbitrated. Government was not competent, had not the machinery to intervene. Government could not take such immense responsibilities, as if the responsibility of doing nothing may not often be the greater.

The misgivings and trepidations of 1932 now seem timid and puny, inured as we are to various and bold forms of economic intervention.

At the time there was much headshaking and brow-raising, especially when, as we shall see, one of the most liberty-proud branches of enterprise, at a loss to work out their own salvation, was first to solicit Government intervention. The Trojans themselves, it seemed, were supplying the Greeks with a wooden horse and inviting them to man it and ride right into the citadel of economic freedom.

If big business was reluctant and Government bigwigs demurred, there were others who saw at last the thin end of the wedge with which it might be possible to achieve the things they had been planning for a number of years.

The younger civil servants, both Indonesians and Dutch, trained at the ancient University of Leiden by a group of progressive, dynamic and inspiring professors had, apart from their political desiderata, long been dissatisfied with the shape and tempo of the Indies community socially and economically: with its crippling dualism; with the outflow of profits to shareholders outside the country; with the limited chances for Indonesians of establishing enterprise of their own or of obtaining higher positions in Western concerns; with inadequate Government control of wages and land rents.

There was undoubtedly much truth in their conceptions as there

was much exaggeration in the way they presented them and certainly there was also much extravagance in the reaction of those who clamored in the usual way that these young men were near-Communists, undermining the established social order.

The initial success of these idealists in getting their reforms accepted by the Administration was not great.

However, although a Government may refuse to follow the lead of a group of young enthusiasts in its ranks, in a democratic country it cannot prevent that gradually, by sheer force of their abilities and by the natural urge forward of the queue on the promotion list, the progressives in due time come into their own.

Somewhat sadder and much wiser after ten years of unavailing activity, less subjective in their condemnations, less impatient in their demands, they had lost none of their ideals and gained a lot of practical experience, besides an indispensable sense for possibilities and proportions. It happened that in the early thirties, when the depression broke, these men were just stepping into key positions in the central and local Government.

There were others who had not felt the shortcomings of the old system so poignantly before the depression, but who from 1930 onward had begun to realize clearly that this crisis was not a passing phase in a trade cycle but the initial stage of fundamental social and economic changes which would develop into a major disaster to humanity if they were not met by new conceptions and by new methods.

These two currents gradually merged: the idealists who had learned to accept the limitations of reality and the realists who had learned that ideals should find their due place in practical policy. One cannot say that the two groups joined hands on a certain day on a specific programme, any more than one could say that on a certain date or even in a certain year Government directed economy made its entry into the Netherlands Indies.

There was no ballot with directed economy as platform, nor was there the introduction of a new policy on the appointment of a new Governor-General or on the election of a new People's Council. There was definitely not the joyous heralding of a new era.

Frankly, directed economy came in humbly, hesitatingly, apologetically: the patient was desperately ill; what about trying a little, just a little, temporary, very temporary Government surgery? And

the planners, knowing their environment and its traditions, were quite prepared for the new arrival to come in unobtrusively as a poor relation: they could look after him well enough once he had obtained his entry permit.

Even the People's Council with its Indonesian majority was inclined to be sceptical: What had the Government up their sleeve? What was the country being involved in and where would it all lead to?

For several years Government measures which implied intervention in economic relations could only obtain the consent of the Legislature if they were explicitly labeled: "Emergency Act". Most bills had a rider attached to them by the Legislature limiting their applicability to a term of three years after which the People's Council would review the experience gained and consider whether the measure should be extended.

The designers and perpetrators of most of these measures, the Department of Economic Affairs, were already convinced that the new policy had come to stay and to expand, but they winked at one another and tolerantly accepted reassuring titles, explanatory preambles and restrictive riders, as long as these were necessary to allay the misgivings of the People's Council towards these schemes, which few dared to accept wholeheartedly and none dared rashly to turn down.

Gradually the attitude both of the community at large and of the People's Council changed, as it became apparent that the policy was proving generally beneficial and that it was being applied with fairness, ability and moderation.

The Government, gradually warming up to the new policy, well aware that inefficient and ill-devised intervention would prove disastrous, gradually acquired an enthusiastic staff of associates, proficient in the affairs of private enterprise, men who had had a business training and many years of practical work in commerce, agriculture, shipping and industry. Experts with intimate knowledge of Indonesian rural economics, various scientists and specialists in international economics were also engaged. These were gradually blended into a dynamic team which, whenever possible, cooperated closely with existing groupings of the community (whenever possible) towards four main economic and social objectives which were gradually taking shape: firstly, saving the economy of the Indies from collapse through the crisis; secondly, striving for a broader

and more stable basis for general prosperity than agricultural and mineral exports alone, thirdly, allocating to both Western and Indonesian enterprise their due place and scope in the economic structure of the country, fourthly, effecting more equitable social relations and a better distribution of the income of the community at large

I find I have been speaking somewhat loosely about directed economy", without as yet defining what is here implied by that term it is by no means determined in itself and means widely divergent things to different people in different countries in different periods

One finds many precepts of directed economy in Exodus and Deuteronomy, canon law was imbued with it the medieval cities states in their elaborate guild systems bristled with directed economy the system of Louis XIV's Colbert with his 'superman's mania for regulation' was just another form adapted to 17th century practice

In modern times Pope Leo XIII's famous encyclical 'Rerum Novarum' and, more explicitly, Pope Pius XI's inspiring "Quadragesimo Anno" declared for a measure of directed economy in no uncertain terms: Marx and Lenin and their followers were ardent protagonists of all out directed economy, but their tenets were certainly not those of the two Pontiffs

There is also the practical directed economy of progressive and radical groups with great influence in the United States of America and in most countries of Western Europe during the last decade before the war, groups which, without aiming at the overthrow of the existing system of production as such, are prepared to go so far in measures to counteract avowedly detrimental influences and situations that their achievements really amount to a complete re-organization of social and economic relations

Lastly both fascism and national-socialism, whatever one may think of them, are primarily systems to direct the economy of the state by the state alone

What is the trend of directed economy in the Indies? In the first place there is no systematic tendency towards substituting the state as actual producer for private initiative, although there is certainly no aprioristic bias against government enterprise as such in special cases, i.e. when the interests of the community demand that the government directly manages some definite venture

Public utilities as railways, ports, electricity and watersupply systems, telegraph, telephone and broadcasting are either under central or local Government management or Government plays an important role as large scale shareholder or through its commissioners with the operating company

This is an outcome of the far from new conception, also fairly generally accepted in Holland, that major public utilities should be managed by the community for the community without the profit motive interfering with efficient management or with service to the public at moderate rates

There are, however, also a number of Government ventures in the sphere of agriculture and mining where the public utility element is practically non-existent. The Government of the Indies owns and operates a tin mine, a number of rubber estates, a tea estate, a palm oil estate, a turpentine and resin estate, a cinchona estate and it is a large shareholder in another tin mine and in a mineral oil company. These forms of enterprise have little to do with directed economy. They are managed as private concerns under special legislation and the proceeds are paid into the Exchequer.

The Government here acts as producer not from principle, but either because it is profitable to the country, or else in order to foster a new and promising branch of enterprise when private initiative was not forthcoming for the time being and where development of a possibility seemed to be in the national interest or where it appeared desirable to assist in the opening up of new territories.

Modern Government intervention in the field of economics is chiefly concerned with coordinating, stimulating, restraining and correcting the economic efforts of the members of the community.

Putting it somewhat more concretely, it may be said that directed economy in the Netherlands Indies is devoted to the harnessing of enterprise to the needs of the whole community¹, to harmonizing diverging interests, which, though beneficial in themselves, tend

¹ e.g. regulation of imports by quotas especially textiles (1934 and subsequently), in order to

a maintain a fair share of imports for industrial countries who are important customers for NI exports (cf. reciprocal trade agreement with U.S.A./1935),

b protect young NI industries during the initial period,

c keep open certain importation possibilities for Holland as counterpart to economic assistance to the NI from the Netherlands,

d prevent undue economic penetration by Japan

that would be sympathetic to the Indonesian, except perhaps its deep pessimism.

It should be added that the Indonesian is most inclined to put his conceptions of social relationships into practice when those relationships are based on some living and tangible bond: family, village, association, personal friendship, mutual interests.

I think it is principally for these reasons that the modern economic policy as it has developed in the Netherlands-Indies appeals to the best natural instincts and proclivities of the Indonesians and that for those very reasons also they are gradually overcoming their former passive attitude towards reforms and innovations.

Those reforms tally with the innate ideas about democracy for which the Indonesian has no characteristic term in his own language, but which, reduces to its perhaps essential quality—respect for the dignity of one's fellowman—is a very real thing everywhere in unspoiled Indonesian life, from the little village upward.

Political democracy not based on or closely related to economic democracy, of which we have witnessed the signal failure in western lands, could never really flourish among the Indonesians: that is why the development of economic democracy will prove to be a real lever to political democracy and it is also why in the Indies, political democracy alone would remain a bewildering and dubious blessing.

There are two other points that should be made here; the first concerns the attitude of the Dutch business interests towards the new economy.

It must be admitted that during the first few years they were in an awkward predicament: on the one hand, as has been demonstrated, several of the most powerful groups of entrepreneurs had to seek far-reaching Government intervention and directives in order to escape from ruin (sugar, rubber, tin, tea, imports, industries). On the other hand this Government intervention never seemed to stop just where the business interests would like it to stop: when accepting the task of setting business relations in order, nationally or internationally, the Administration had a way of not remaining in the executive's room where it had been invited, but of also nosing about in the workshops, the storerooms and the salesrooms, talking to the workmen, the customers and the salesmen and making binding arrangements about their positions and relations also.

Undoubtedly during that first period there was a tendency in

some Government quarters to be too officious, and too meddlesome. Undoubtedly also the complaints of Government inefficiency and even ineptitude were often gravely exaggerated.

Fortunately however, the civil servants were Dutchmen and Indonesians before they became civil servants and the businessmen were Dutchmen before they became businessmen.

That means that their sense of reality and reasonableness is inclined to take precedence over their sense of official dignity on the one hand and of business interests on the other.

The businessmen in the Indies, at least a sufficient number of them, gradually understood and accepted that Government intervention in economic affairs was indispensable under the circumstances and that it could not in reason be limited or modeled to suit the purposes of big business.

If you were to ask them whether they would wish untrammelled free enterprise back again after the war, I believe some of them—definitely not all—would reply in the affirmative, but almost all of them would agree that such a situation seems out of the question for a long time to come.

I even suspect that some of them would not mind a new role for business in a new world: enterprise working with the efficient and experienced machinery of business, but working for the community at large, instead of for the amorphous mass of shareholders for whom they, when all is said and done, do not care two hoots.

It is not improbable that the ideas of some of the economic advisors of the Administration are actually moving in the same direction: overall governance of business in the hands of public spirited businessmen, cooperating with business-minded public servants.

Considerable headway had in fact already been made in the Indies during the last five years: mixed bodies of officials and private experts, both Indonesian and Dutch, were entrusted with the management of most schemes of Government directed economy, either in a decisive or in an influential advisory capacity. Divergence of opinion, when it manifested itself, was certainly not in a majority of cases along the public-private border line: mutual understanding and appreciation are growing steadily under the pressure of the exigencies of war.

There appears to be no reason why this encouraging trend should not continue after the war.

The last point which should be mentioned in this chapter is that we had to learn directed economy the hard way, because we could not afford the easy way: very little public money went into any of the schemes, because there was very little money available in those depression years.

There were no large-scale credits, no so-called "money injections", no expensive organizations, paid out of public revenues. Persuasion and legislation were the principal instruments and the inevitable costs of running the new machinery were met by levies from the interests involved, either by some kind of moderate export tax or by a system of Government licenses at nominal fees. (E.g. the rubber export licenses, which paid for all the organization and research work, amounted to about 1/10 of one percent of the value of exported rubber.)

There is a great deal to be said for such a system and anyhow it prevented anything in the nature of inflation by Government activities.

Of course, for some purposes, subsidies could not be dispensed with, but they have always been on a very moderate scale and have ruled out the cultivation of hothouse plants.

Within the compass of this little book I cannot give a description even of the majority of the measures and their application: in the next chapters I shall endeavor to describe a few of the most characteristic and most influential schemes against the background of Indonesian economy: the description may here and there seem rather simple and superficial, but my object can only be to demonstrate general trends and their effect.

CHAPTER V.

Staff of Life

I think the time has come for us to pay a few personal calls.

I suggest that we go and see how the common man lives. In one of the most inspiring speeches of the War, Vice-President Wallace, speaking of the future of the common man, said:

"When the freedom-loving people march, when the farmers have an opportunity to buy land at reasonable prices and to sell the produce of their land through their own organizations, when workers have the opportunity to form unions and bargain through them collectively, and when the children of all the people have an opportunity to attend schools which teach them truths of the real world in which they live—when these opportunities are open to everyone, then the world moves straight ahead."

Our car has taken us from Sourabaya, the busy seaport in the east of Java, westwards for 150 miles along the Great Post Road; we have passed the town of Madioen, have turned left into a secondary road; right, into a more primitive fairway; right again, left and then right. We get down and walk for a mile or two along a dirt track and here we are in a *desa*, typical central Java village, where Europeans seldom come. It is towards five in the afternoon: the sun is low in the West.

A breeze swishes languidly through the umbrella-shaped trees and the nodding bamboo bushes creak and screech. A myriad of crickets scrub their ridiculously highpitched notes through the warm air: an early tokeh, great lizard of the roofs and trees, repeats his insistent call.

A long line of cottages, each with a small hedged-in compound, stretches along the track. This is Wongso's house and here is Wongso himself, squatting by his door, smoking his cigarette, a little tobacco mixed with ground cloves, rolled in a piece of corn leaf: as he draws in the smoke, the clove oil crackles: he appropriately calls his cigarette "*kretek*". He answers our greeting with a friendly grin, adding immediately the age-old, never omitted double

question to the wayfarer: "Dari manah? Maoe Ke manah?"—"From where? Whither bound?"

Wongso's wife, Bok Wongso, is busy in the outhouse, steaming the evening rice over a brass pot, in which the rice is placed in a kind of wicker cone. Wongso is particular about his rice and likes it done the right way: dry and firm, not sticky. With a little green vegetable soup, a dried fish or two, and some chillies, the simple meal will be complete. Two or three scraggy, highlegged fowls run in and out of the house, fidgeting around Mrs. Wongso, watching for a chance to peck a few fallen grains of rice.

Wongso's children are running about, playing some game: they are not overburdened with clothing and their shiny little rice-tummies balloon out over their little pants.

Wongso's long-eared goat is tied to a rope by the doorway. High up in the air at the top of a 15-foot bamboo pole, dangles a wicker cage: in it is the cherished pride of the Wongso family: the perkutut, singing dove, the best bird in the village, source of quiet pleasure, social standing and, at times, income.

Wongso's day is done and he is waiting for some of his neighbors to drop in to smoke and chat about the crops and the rains, about his ox and his children and the hard times, as do millions of peasants every night all the world over.

For Wongso is a farmer: he is a landowner to the extent of some three acres, hereditary share in the village ricefields, over which the community exercises some overruling rights. Wongso is primarily a member of that closely knit desa-community and his land ownership comes in the second place, because it is altogether tied up with his partnership in the clan, which is his village.

That membership gives him rights and duties, but the duties come first and they come naturally, self-evidently.

He has duties towards the desa, a whole system of duties, which he fulfills as a matter of course, as his ancestors have done through the ages without payment or recognition. Duties to keep the desa roads tidy and to clean the irrigation ditches; duties to take the night watch and guard the village in his turn; duties in times of disaster, when the little river that runs through the village becomes a devastating torrent and smashes the bamboo bridges and floods the compounds of the cottages; duties when there is a fire or when a thief in the night from the outside world has slipped into the peaceful village.

These services towards the desa are its very organic basis and they are summed up in the term "sambat sinambat", public service.

His reward is his social standing with his fellow desa members

There is another set of duties to which Wongso adheres no less rigorously they are the services which he gives, not to the village, but to his fellow villagers individually. When they are in trouble, he is in trouble he helps to repair their cottages, plough and harvest their fields, marry off their daughters, circumcise their sons, bury their dead. He shares with them his food and when they are poor, he is poor. There are no classes and no prerogatives in the village, except one or two age old privileges for the Loerah, the village mayor and his assistant, the Tjarik.

These duties toward the fellow villagers are summed up as "toeloeng menoeloeng", mutual help. Service before self has been a reality in ten thousand Javanese desa's through the ages and Wongso would have little to learn from Rotary.

The desa is primarily a social unit and "economic man" of individualistic liberalism has never been either loved or understood in the Indonesian village.

That is why Government-schemes, both large scale and small, to further Indonesian enterprise and initiative, risk failure if they try to appeal to the individual economic instincts and have a fair chance of being comprehended and accepted, if they are based on a foundation of organic cooperation, which has the sambatan touch.

In the previous chapter I already dwelt on this very important point.

Wangso is a farmer, one of many millions of small-holders, who are the backbone of Java and of many districts in Sumatra, Celebes, South East Borneo, Bali and Lombok. There still lurks a common fallacy that the Netherlands Indies are more or less one vast plantation under western control, where European superintendents drill natives to produce commodities for oversea markets.

Even in Java, which covers only 1/15 of the land area of the Archipelago and where western cultivations have existed for many decades longer than elsewhere, that picture is completely wrong. Of 33 million acres of cultivated land in Java only 2½ million are occupied by estate agriculture. The rest is tilled and harvested by the Indonesians themselves, principally for food crops.

On the other islands the situation is as follows: in Sumatra

1,300,000 acres are planted by estates, whilst I have no figures available for the total agricultural area in that island; in Borneo, Celebes and Madura, Ambon, Halmahera and Ternate, there are hardly any European estates; in Bali and Lombok there are none.

In a former chapter I have already exploded that other fallacy: may I repeat that the production of export commodities is by no means a monopoly of western estates: as regards rubber, the Indonesians produce for their own account close to 50% of the exports; the same ratio applies to coffee and tapioca; kapok is overwhelmingly an Indonesian product, whilst pepper, copra and coconut oil are, practically speaking, entirely produced by Indonesian planters: it is in the production of sugar, palmoil, tea, cinchona and hard fibres that western estates are predominant.

Our friend Wongso however does not produce any of those commodities which are sent across the oceans: he produces rice for domestic consumption. Between two rice crops he does not let his land lie fallow: he plants maize, groundnuts and tapioca, often twice for his own use and for that of his fellow villagers. There is just time to obtain a useful crop of these in the few months before the new paddy planting season commences.

In the little compound round his house he grows some vegetables and sweet potatoes: there are a few fruit trees: mango, banana, rambutan, pawpaw and maybe a djeroek nipis tree, bearing a small citrus fruit.

Just outside the little village are the rice fields. It is wonderful what these Indonesian farmers manage to do with their land. Irrigation water, carrying down fertilizing silt from the hills, prevents the soil from deteriorating and wary Wongso, steering his oxen through the muddy fields, never ploughs deeper than the layer of humus reaches. He does not have much use for artificial manures; cow dung is welcome: it comes from the good earth and should return to it.

In any case, artificial manures, though applied in some districts, are generally too dear, considering the price Wongso makes for his rice.

Behind the little house you see the plain changing into rolling foothills and behind and above the foothills you behold the grooved slopes of the towering Lawu, Imperial Mountain, raising his rugged, barren, furrowed crater out of the wide, green countryside.



PRICELESS WATER

Courtesy Royal Lactet Nav / on Coast: K P M

Let your gaze follow the undulating ridges and gullies upwards over the scores and scores of ripening paddy fields, intersected by little yard-high dikes, curving and sweeping round the massive mountain, like the frills of countless petticoats.

It is by these little dikes that the priceless water from the uplands is held and doled out; it trickles down the mountainside, paying its way across every little ricefield, every little inlet in every dike exacts its toll.

That is how the rains are disciplined, but similar traffic rules apply to irrigation water, tapped from the rivers and divided and subdivided over elaborate canal systems and ditches and ducts and furrows, until it reaches the thirsty paddy fields.

And in many districts the water is stored in great artificial reservoirs, called "waduks", from where it is meted out to the surrounding country during the dry monsoon: each villager gets his exact ration.

The main rice crop is planted around about December, just before the rains set in; it is harvested in May of the following year.

About 50% of that rice is used by the small farmers for their own consumption and the other 50% is sold to the rice millers, mostly Chinese, who process the rice and sell it to parts of Java where rice is in short supply, or export it to the other islands.

But although the Indies and especially Java have from time immemorial grown great quantities of rice, there has for half a century always been a shortage, which had to be covered by imports from south-eastern Asia, from Burma, Indo-China and Thailand. The deficiency in recent years was generally about 10% of requirements.

On the face of it that would not seem to be a very disturbing situation, but in point of fact it constituted a serious economic weakness.

After all, it boiled down to the fact that the staple food for about six to seven million of the poorest consumers had to be bought and paid for abroad in a period when the balance of payments was already steadily deteriorating.

Besides, with war clouds gathering over the Western Pacific, it was a precarious situation for a vast Archipelago with long and inadequately protected sea communications.

Another grave consequence of this dependence became painfully evident during the depression of 1930. Rice prices in the countries which supplied the Indies, fell to an unprecedented low and the imported rice dragged down Java prices to a level disastrous to the score of millions of small farmers, who relied on the sale of their rice: the proceeds of their crop seldom gave them more than a marginal income and their land tax was too rigid.

Local rice prices continued to crumble by purposely restrained buying of covetous traders, speculating on a further slump. Many millions were threatened with economic collapse.

The first tentative Government steps date from 1933 towards what was to develop into a vital factor in the welfare-policy. It was essential to reestablish an equitable relation between the rice-prices in the domestic market and the prices of other commodities and services: it was not the object to strive for a parity that should have as basis some years which had been exceptionally favorable to the Javanese farming smallholders: there never had been such a year.

The most pressing problem was to save them from utter ruin and to save them quickly.

After a short period of trial and error—seldom pleasant to the economic guinea-pig, but often the most effective approach to long-term economic therapeutics, if the doctor is efficient and has an open mind—the following procedure proved efficacious, although it has had to be continuously perfected and adapted to new situations.

The importation of rice from foreign countries was cancelled, until stock had been taken of the rice available all over the Archipelago. Imports were then resumed, but only under Government license and on payment of a gradually increasing countervailing duty, bringing the landed price of foreign rice by stages to the level which was considered in fair and reasonable relation to the prices of other domestic commodities and services. The price of home-grown rice recovered, but there were several adjustments to be made before the benefit of the better prices began to accrue to the small farmer himself, the amelioration of whose predicament was the aim of the whole policy.

Rice millers and rice dealers at first took undue advantage of the situation and it was some time before the controlling machinery worked smoothly and effectively.

The proceeds of the countervailing duty, the amount of which

naturally had to be continually adjusted to outside rice prices, were used mainly to promote the better working of the scheme on the one hand to help the consumers in distressed areas on the other.

There was a chronic surplus of rice in some parts of Java, Bali, Lombok and Celebes and a shortage on the East Coast of Sumatra, Borneo, Billiton, Bangka and elsewhere. Subsidies were given from the proceeds of the countervailing duty in order to neutralize the high costs of the transportation of surplus rice to the deficiency area in such a manner that this rice became competitive with foreign rice.

Some districts which had been exceptionally badly hit by the depression and where the population was without sufficient means of subsistence, were helped either directly or by instituting relief works, creating employment and purchasing power where these were insufficient.

Meanwhile everything was done to make the country less dependent on imported rice. Since 1936 seedfarms were established in numerous agricultural centers and their success in propagating higher yielding rice varieties and other foodstuffs cultivations was really spectacular.

New irrigation schemes were completed and in Sumatra and Celebes rice cultivation was extended to new areas. When war broke out efforts to become selfsufficient with regard to primary foodstuffs were redoubled and signal achievements in this sphere were the more remarkable as exports of many agricultural raw materials had also to be speeded up to the utmost limit, in order to assist the British Allies and to help the United States to build up strategic stocks. Legislation to compel both estates and Indonesian producers to go all out in growing foodstuffs, even at the expense of a restriction of exports of non-essential commodities, had been passed immediately on the outbreak of war in the autumn of 1939, but it had only to be applied in sporadic cases: everyone did his utmost and for the first time in modern history the Netherlands-Indies were able to dispense with foreign rice in 1940. The attainment of this goal, which had seemed impossible not many years before, reflects the close and successful cooperation of the Administration and the community in these years before the catastrophe: large stocks of food were dispensed in many places where a shortage might be expected in case they should be cut off from supplies by enemy action.



Photo SCHIERPIN HUYZEN

STAFF OF LIFE

If famine does not come to some of the farflung islands for some time to come, it is to a great extent due to these strenuous efforts.

When the Archipelago became self-sufficient as regards rice, the countervailing duty of course ceased to operate and other measures had to be devised to keep the price of domestic rice in fair relation to other prices. There was a valid reason for continuing this policy.

In the first place the Indonesian export farmers were making good prices for their products, most of which were in great demand.

It seemed eminently reasonable that the Java food farmers should profit from the increased purchasing power of their exporting colleagues in other islands.

At the same time, as we shall see later, industry was expanding very quickly, both through the shortage of imported goods, owing to wartime conditions and through the strenuous efforts of the Administration and of Indonesian and European enterprise: this also steadily increased local purchasing power and both justified and made possible the raising of controlled rice-prices.

The Government sought—and after some initial bickering obtained—the cooperation of the organizations of rice-millers, who were persuaded that they themselves would profit by an improvement both of the level and the stability of the rice markets.

More has been done in less than ten years in this sphere than in as many decades before.

Now it is very doubtful if Wongso could have explained why he and his fellow villagers were gradually beginning to enjoy a modicum of prosperity: there is little doubt however that in many parts of Java the position of the small food-farmer is much more stable than it was when years ago a writer on Javanese economics had to remark: "where there is rice there is romance, but there is also poverty".

CHAPTER VI.

The Land Beyond

Notwithstanding the signal improvements of the farmer's lot in many respects during the last decade, Java is as yet by no means an oriental Arcadia, where all peasants lead simple, but happy and moderately prosperous lives. There are unfortunately many districts where the overcrowding of population is so serious, where the average landtenure per family has gradually dwindled down to little more than an acre, where the soil is old and weary, where the rainfall is uncertain, where lack of precaution in former years has allowed forest devastation on the hillslopes to ruin the countryside.

There you will find distressing poverty which, during the annual patchedick period (i.e. the period when last harvest's ricestocks are running out and the new crop has not yet been harvested) may develop into definite undernutrition with concomitant deficiency diseases and increased susceptibility to malaria, tuberculosis and hookworm.

Although within living memory there have been no large-scale famines in Java as in India and China, local food conditions in some districts (Malang, Bodjonegoro, Pemalang, South-Djogja, South-Kedu) almost every year cause serious anxiety to the authorities and the period can often only be bridged with outside assistance in the form of rice imports, relief works, etc.

It is especially from such districts that transmigration to other islands is encouraged by the Government and since 1932 with very favorable results: let us go and see how it works. We leave Wongo's cheerful little village, board our car and continue our drive westward through the beautiful old cities of Surakarta and Djokakarta: along the Great Post Road we pass through Kutoardjo and then turn off South.

One does not need an expert knowledge of agriculture to see that conditions here are not satisfactory. Although we drive slowly over the deeply-rutted track, our car throws up a thick, blinding cloud of light grey dust: powdered, worked out, useless soil which, of its own accord, will bear nothing but weird, cactus-like shrubs

and the ubiquitous tangled bushes of *Lantana* with its clusters of anaemic orange, pink and aquamarine flowers.

We stop near a little hamlet and proceed on foot.

The cottages here are mere hovels with walls of shabby, patchy bilik, thatched roofs in poor state of repair. The compounds are neatly swept, but very little grows there, except some forlorn corn and tapioca plants.

The village seems deserted until we come to an open structure in the middle of a small square. Some fifty men are squatting under the awning in a semi-circle around the lurah, the headman of the hamlet who, with an air of authority, is sitting on a rather dilapidated rocking chair.

Outside the structure sit the women, chattering in low tones, giggling, chewing sirih, nursing their babies. Next to the lurah stands a trim man, much better clad, better nourished, more self-confident than the subdued and seedy villagers round him.

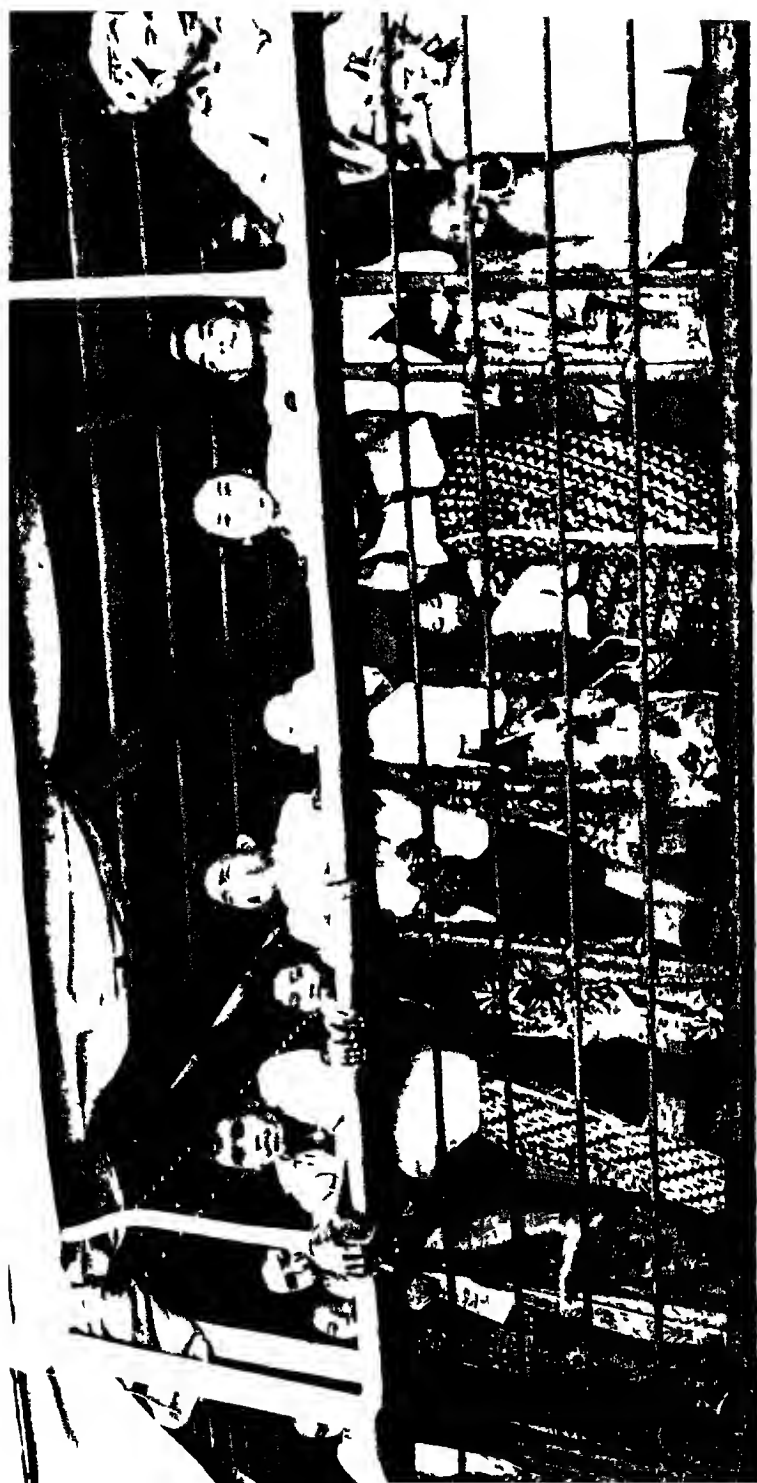
He is speaking very slowly, very earnestly, very emphatically; one would think he was delivering a sermon and in fact, to a certain extent, that is exactly what he is doing.

Occasionally he asks his listeners a pertinent question and then there is a low murmur of assent: "inggih". Sometimes there is a soft whispering of heads drawing together, but for the rest there is a tense and expectant silence.

Sastro is telling about "Tanah Sebrang", the Land Beyond.

Four years ago Sastro himself was a poor villager of one of the nearby hamlets and he with his wife and his two children were among the pioneers to depart from these parts for remote Sumatra, to make a fresh start in life, away from the worries of irresponsive soil, miniature land tenure, droughts, dubious crops and continual indebtedness: never any money for new clothes to celebrate Lebaran, nor for the minor, but vitally important, social duties of the village.

Sastro is telling with deep feeling how that first batch left, with serious misgivings, the old village of their ancestors, uncertain how their departed spirits would take it; how he and his comrades had traveled by bus and by train and by bus and by boat over an infinite expanse of blue sea, a whole night and a whole day then again by train and again by bus, until they had at last arrived at a prosperous, bright new village with tight little white houses and



ANNOUS PILGRIM FATHIRS OF THF ORILNT, EMBARKING ON THL GRLATLST EXPFRIMENT OF THIR LIFI

vegetable gardens and fruit trees and everywhere huge stacks of golden paddy.

And all around the new village were thick ripening ricefields; heavy ears, eight inches long. And how the village was inhabited by Javanese from these parts, who had welcomed Sastro and his fellow-pilgrims to their homes in their own language and had given them all board and lodging for a season, in return for their help in harvesting their crop and had paid wages in kind: rice sufficient to last Sastro, his comrades and their families until the first crop of their own new plots of land would be ripe for the cutting.

How the village was called Wringin Anjar, New Banyan Tree, after the old village of Wringin, a few miles from the village where they were now gathered.

How, when the crops were safely stored, buses had arrived which had collected Sastro and his party, their wives and their children, their bundles and their belongings and their precious savings of rice and had taken them some ten miles further up the new road to a clearing in the forest, where there were a few primitive shacks for them to live in during the coming rainy season.

There had been a kindly old wedono who had addressed them all and had told them that this was their promised land that it was now up to them to mould their own future: how young and efficient lurahs had helped them in staking their claims and burning the undergrowth; how they had been provided with seed rice and agricultural implements for planting their first crop. And how the newcomers had built their own houses under the time honored rules of tulung tinulung, mutual assistance, from timber and bamboo growing round the clearing and how they had planted coconut palms and bananas and fruit trees which had also been provided by the authorities; all on credit, for the Government, the Pemerintah, itself has learned that pampering and presents do not make for tough colonists.

How they had celebrated the gathering of the first ricecrop when, by some wonderful timing of the authorities, a new batch of colonists had arrived as sharecroppers, just when they were wondering how on earth they were going to get all their paddy in before the rains set in; how this new batch had subsequently been allotted their own plots of land at the outer fringe of the young settlement which had meanwhile received its promising name of Banju Mas, Golden Water.



SETTLERS CLEARING THE JUNGLE

How after a little over three years the irrigation system, leading water to all the sawahs of all the new settlements (from the river fifteen miles away), had been opened with great rejoicing by the Resident: flags and flowers and gamelans and an enormous slametan.

And Sastro's story goes on and on and the silent men sit around with bent heads, slowly drawing in and puffing out the smoke from their maize-leaf cigarettes, pondering, pondering. . . .

Sastro, the settler, is a propagandist, temporarily sent back to Java by the colonization authorities to his native district to tell about his adventures and his success.

Experience has proved that this is by far the most effective way of encouraging transmigration: the personal story of the man who took the leap into the unknown and who came back to tell about it.

I should not like to vouch for the truth of every word that Sastro speaks: he is an eloquent orator as Javanese go, and they go a long way.

Possibly his glowing descriptions are somewhat lacking objectivity and exactitude; perhaps now and again he is carried away by his own emotions; maybe here and there he is tempted to tell not quite the whole truth nor altogether nothing but the truth—he does not mention that there have been serious malaria-outbreaks; that once elephants trampled down a lot of the work; that another time the rains were very late and the crops all but died; that during the first season the irrigation system failed to come up to expectations—but in the main, his story is a realistic, man to man talk about personal experiences and the simple villagers are visibly impressed.

Sastro goes on: just now around his new village in Sumatra the bright, healthy green of the paddy fields is beginning to turn yellow . . . many hands will be needed in the coming few weeks to bring in the rice . . . there will be board and lodging and share-crop—"bawon"—rice. . . .

Furtively a few villagers look over their shoulder to where, half a mile away, their own tired, scanty, sun-cracked ricefields lie awaiting their abortive confinement. And they sigh and ponder. . . .

After all they are peasants: their fathers' fathers have always lived in this wide-open, faithful land and tilled it: they have become poor together. But then there were not so many mouths to feed and the parcels of land were not so hopelessly small. . . .

They sigh and smoke: life's decisions can be very difficult. . . .



ENTRYW HIRT HIC STACKS OF GOLDEN PADDY

The sun is low when Sastro ends: the lurah adds a few words of his own. He announces that the day after tomorrow in the evening, there will be a movie in the open air at another village, a few miles away, where one will be able to see with one's own eyes what Sastro has told them this afternoon: all will be welcome and there will be no charge.

The men depart slowly, each to his own little hovel: until late in the evening they sit and talk in little groups about what they have heard, weighing the pros and cons of carrying on here and of leaving the old home.

And the wives talk also, as everywhere else in the world, and, as everywhere else, their unemotional, matter-of-fact opinion may ultimately sway many a decision.

Two days later, towards the evening, hundreds of hikers from all around foregather in the little market place of the largest village in the district: they look askance at the large white screen and listen with awe to the throbbing of the engine of the truck which has brought the show from a faraway city.

For many of them it is the first movie they have ever seen in their lives and maybe it will be the last.

Then to their staring eyes Sastro's story unfolds itself with ever increasing purpose: the story is linked up with the old legends of Javanese folklore and the heroes of the story are depicted as courageous and wise pioneers of a new era, who obtain happiness and prosperity because they deserve it.

Hitherto mostly those who left the old village were considered as quitters, as indeed many were, disreputables whom the village was glad to get rid of, restless ne'er do-wells who hired themselves out as coolies to faraway estates, people to forget and who were unwelcome if they ever returned: now these new "trekkers" are depicted as efficient farmers, prospective landowners, notables in the land of the future.

It is clear from the picture that not all will be accepted; that only the healthy, the reliable, the respectable, the married ones will be eligible.

The appropriate captions are in Javanese: they are proudly read aloud by the literates in the audience.

The picture ends in a swelling burst of gamelan music. There is more discussion, more pondering: there are many grave interviews with the lurahs.

Then comes registration: first a trickle, then a steady stream. A doctor examines the applicants, an assistant-wedono questions them. Some are rejected, some withdraw at the last moment, but a week later fifty men, women and children are taken to the nearby railway station with heavy burdens and with heavy hearts, en route for the Land Beyond.

At the port of Priok they are vaccinated against smallpox and inoculated against dysentery and cholera. Then, as at last the white steamer puts out to sea and the blue-grey mountains of Java fade in the distance, the emigrants huddle together on deck in the cool breeze, anxious pilgrim fathers of the orient, embarking on the greatest experiment of their lives.

The decision for the Kromo's, the Amats, the Soepardjo's had naturally been a difficult one, but they were certainly not bound for an unexplored land, nor for an unprepared future.

The history of organized Javanese transmigration to the outer islands goes back to the beginning of this century: it is a chronicle of trial and error, hampered sometimes in the early years by downright mismanagement and even by deliberate misrepresentation. Such were at times the disappointments during the first quarter century of its course that many abandoned the idea that transmigration could ever become an effective means of alleviating the population pressure of Java.

Indeed one large colony—group of colonies—in South Sumatra, Gedong Tataan, had gradually become a prosperous and dynamic settlement, but the costs of developing it had been so tremendously high (ca. \$50-\$60 per head) that new large scale experiments were considered by many to be outside the scope of practical policy.

Once again it was the depression of 1929, which fostered the hard drive in Government directed economy, that gave new methods a chance, or, better said, gave a new fillip to existing methods which had had until then only scant attention.

Although in many respects the transmigration procedure of 1932 and later embodied several precepts which had been learnt by previous—chiefly unfavorable—experience, it was the general acceptance of the "bawon" system, which really opened the possibility of large scale transmigration. It brought the costs per head down by at least 85% i.e. to around \$6.

I have already briefly described this system which aims at timing the arrival of new colonists to coincide with the harvesting period in the established settlements; lodging the newcomers with the old-timers; giving them the opportunity of earning a stock of rice before going to open up and plant their own plots and thus transforming the subsequent waves of colonists into a kind of relay race with the accent on "relay" and decidedly not on "race".

Other precepts and cautions were: strict examination of prospective settlers for their physical and moral qualities and especially for their suitability as farmers; limitation to married men; previous vaccination and inoculation against diseases; special medical care during the initial periods of opening up virgin land when the danger of malaria infection is highest.

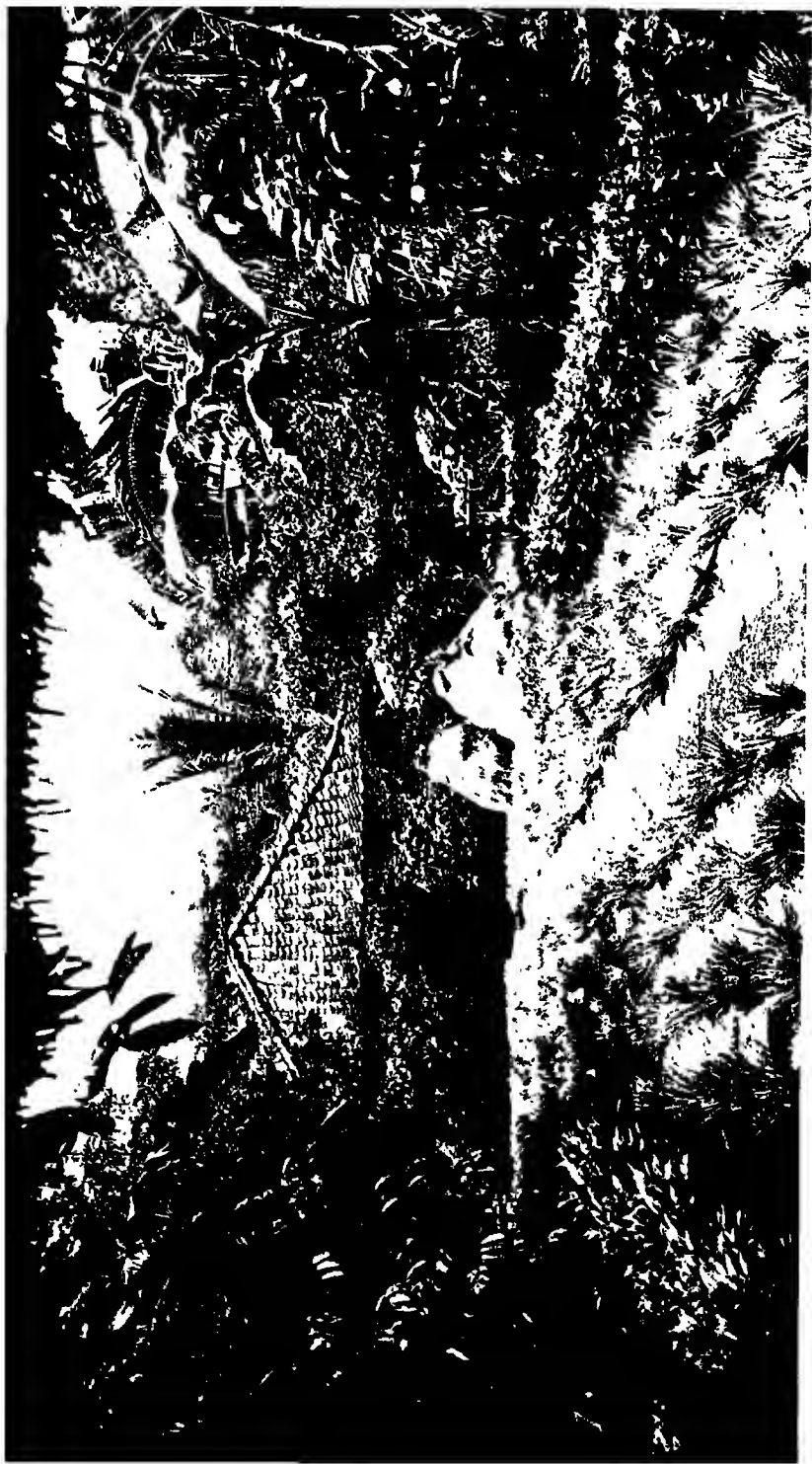
The previous scientific investigation of territories in Sumatra, Celebes, Borneo and elsewhere has become a most elaborate business, carried out by a staff of full-time specialists: it comprises the quality of the soil, the possibilities of irrigation, at least for the nuclei of new settlements; the legal status of the land and the character and scope of the tenure and disposal rights of the autochthonous inhabitants; the hygienic conditions (especially prevalence of malaria), the possibility of establishing suitable communications (roads and waterways) with the outside world.

It was in the year 1937 that systematically planned large-scale transmigration was initiated. Specific instructions were issued to the governors of all the outer islands to report promptly on the existence within their provinces of likely sites for settlements: areas of less than 12,500 acres were to be omitted for the time being.

Notwithstanding the fact that the civil service outside Java had generally been rather sceptical on the availability of suitable areas for settlement, the harvest of provisionally likely sites was surprisingly encouraging: it totalled some five and a half million acres.

A special service for the promotion of transmigration was established under the direction and supervision of a "Central Commission for Indonesian Colonization", consisting of three high-ranking officials. Adequate funds for investigation and preparation of the areas were made available and the whole civil service in Java itself was explicitly enjoined to give their fullest attention to promoting transmigration.

But farmers all over the world are conservative and hard to move:



SETTLER'S HOME ON SUMATRA

without the willingness of the Javanese to migrate, the availability of vast areas for settlement would be of little use

Increasing attention was therefore devoted to systematic and appropriate propaganda, appropriate in that it has to appeal to the Javanese villagers, which is no easy task and demands an intimate knowledge of the psychology and of the way of thinking of the simple villager

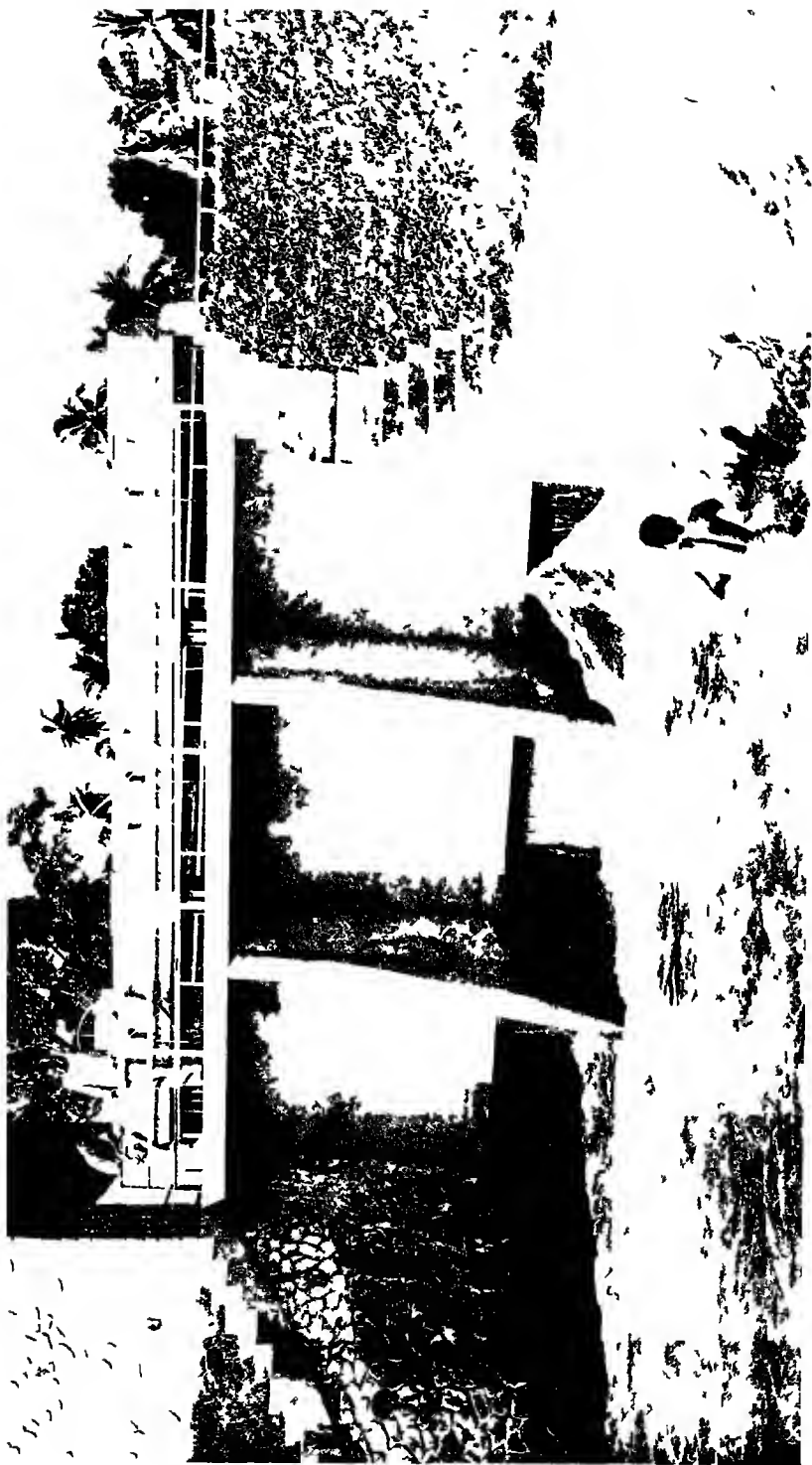
Only gradually were successful methods devised posters, films, Indonesian shadow plays, lectures, pamphlets, reading books in the vernacular tongues were produced often the first experiments were by no means satisfactory

But the best propagandists have always proved to be the experienced and satisfied colonists themselves, sent back to Java by the Government to preach the new theme the future of the Javanese lies across the sea

Gradually the movement was gathering weight in 1937, 20,000 colonists left Java, 32,000 in 1938, 45,000 in 1939, 53,000 in 1940, the target for 1941 was 65,000 and, as the unavoidably slow investigation of registered territories proceeded, as experience grew on what to do and what to avoid and as propaganda was beginning to get its grip on the population of Java, even much more ambitious aims seemed to be within the scope of practical policy

The outbreak of war in the Pacific did not terminate these activities. occupation by Japan has of course abruptly stopped the work and even after the liberation of the Indies it will, I fear, be some years before we get the masses moving again But go on we must and go on we shall I may assure my readers from personal connections with this work during all too short a period, that among all the inspiring work that is carried on in the Indies, a few activities can awaken more enthusiasm and give more satisfaction than this great enterprise of peaceful development, which every year brings many tens of thousands of good people freedom from want and the well based expectation of a happier life

Now a reader will be likely to ask at least two questions how with an annual increase of over 700,000 in the population of Java every year will it be possible to solve this problem by transmigration? And secondly after all, in a number of years the available suitable sites will be exhausted what is going to be done then?



ONCE MORE PRICELESS WATER

Both questions are eminently relevant. I think the replies might run as follows: Probably we cannot solve the problem of overpopulation altogether: we can only hope to substantially mitigate its impact. Furthermore, there are more strings to the Government's bow than transmigration alone: recent experience with the systematic promotion of industry gives reasonable promises of as great, or perhaps even greater, results than those to be achieved with colonization: they will be discussed in the next chapter.

Then there is another point: statistical investigation has demonstrated that to cope with the increase in population, it will be sufficient to persuade a very much smaller number of people to transmigrate than the actual census-increase, if the emigrants are chiefly selected among young married couples in their reproductive years.

As to the second question, the reply may have to be in the affirmative: some day indeed the extensive areas available may be teeming with inhabitants like Java itself; or perhaps again they may not: the laws governing population problems are as yet locked in a book with seven seals.

Today those laws still seem capricious and whimsical: the trends upwards and downward in the countries of the world have been proved liable to reversal without evident reason. For the time being we shall do best by dealing with the problem in hand as best as we may: here as always, sufficient for the day is the evil thereof.

CHAPTER VII.

Warp, Woof and Welfare

We are now in the western extremity of the island of Java, in the rolling Sunda uplands. Of that we could be sure without locating our whereabouts on the map: the blithe hillsides are of a brighter green, the villages are more sprightly, less heavily canopied with foliage; the dwellings are in a better state of repair; there are more flowers in the compounds: pale purple bougainvillia, orange-tinted stephanotis climb up the whitewashed walls; straggling pink roses and bright red and yellow cannae vie with the laundry of many colours, spread over the hedges. It is cool: the early morning sun sprinkles a myriad glittering spangles through the acacia trees.

The people smile and chatter: from the jade-green teagardens comes the high-pitched, warbling song of the gaily-saronged tea-pluckers.

Down the peaceful asphalt road, flanked by tall, mastlike damar trees, comes the jarring fusillade of a motorcycle. It stops by our car, splutters, and is silent.

A spruce little man—he wears a white drill tunic-suit and a neatly tied buff and white head-cloth—climbs down and comes to meet us: he is Karta, by profession a craftsman, by appointment an errant teacher of industries, Jack of all trades, master of many. He is going to show us around the district which teems with small-scale industries. We pass the time of day and then Karta leads the way to a nearby village, into the backyard of one of the cottages where a number of men are working around a small foundry.

"Under a spreading banyan tree, the village smithy stands". The smith, however, is no "mighty man" with "large and sinewy hands", but a small, wiry, keen-eyed Sundanese. Karta shows us around the open air workshop, picking up a tool here, scrutinizing a half finished piece of cutlery there, larding his explanations to us with remarks on the work.

Here is an interesting example of typical Javanese cooperation, built up from and imbued with the spirit of the desa organization,

which I described briefly in Chapter V, but in a modernized form which has been making much headway during the past five years.

This smithy cooperates with a great number of other smithies in the village and in the surrounding hamlets: the district has been a center of this branch of industry for as long as anyone can recollect. The smiths used to make knives, forks and spoons, tools and agricultural implements for the district only, but gradually they started working for the faraway city. But however conscientious they were about executing orders within their own community, they were careless in carrying out commissions for outside destinations. Their deliveries were as irregular as were their products. They felt no real obligation towards the distant customers who were unknown to them and not part of their social setup.

They did not, by the way, themselves deal with those customers: "foreign" trade was entirely in the hands of the middleman, who paid them poorly for their labor.

This middleman, "bakul", the ubiquitous broker of Javanese economic life, is always an important factor: "bakuls" or "tengkulaks" buy up the tealeaf from the Sundanese smallholders and sell it at a premium to the tea factories; they furnish bleached cotton piece-goods and dyestuffs to the batikkers and buy up their finished textiles; they collect kapok from the tree-owners and sell it to the processors; they bring metals and other materials to the blacksmiths and fetch their products; they lend money on long, easy terms and at breathtaking rates of interest; they give advice, hand out bits of news from the distant and mystic cities which they are the only ones to visit; they are the guides, philosophers, friends and usurers of the villagers, whom they bleed white in a kindly manner.

The "bakuls" as such might be an useful institution: it is their hold on the desa and the way they wield it which is a scourge. During the past five years, however, that hold has been very much mitigated, both by Indonesian cooperation (industrial centers) and by Government measures (tea and kapok regulations; fight against chronic indebtedness). Especially in industry the improvement has been noteworthy.

With the assistance of the Industrial Division of the Department of Economic Affairs and the Cooperative Service and their field-officers, the Indonesians themselves have gradually been building up new organizations, the so-called "industrial-centrals", which are ousting the "bakuls" from their firmly held positions by taking over

cooperatively several of their functions such as the buying of materials and ingredients and the selling of the products. The centrals have found that not only can they buy cheaper and obtain better prices for their goods, but that through their cooperation they can achieve many things that they either did not care or know about before. The "bakuls" have not disappeared, but their two-way profits are being whittled down to reasonable proportions.

Bound as they now are to the central and, through the central to one another, the cooperating craftsmen have developed the same sense of obligation to make good towards that central as they have always had towards their desa: they feel it as their duty towards the central that their products shall be of good quality and workmanship and that they shall be delivered on time: they accept the scrutiny of those products by the older members of their setup and without murmur take back for improvement what has been disqualified as not up to specification.

Not the whole of the proceeds are turned over to the members of the central: an amount is held back for all kinds of purposes: buying better tools and ingredients, and especially for setting up so-called finishing plants where the half-finished products are standardized and perfected and made "market-worthy".

At the far end of the compound there is such a finishing plant for cutlery, property of the central, worked by a small electromotor, which serves a number of machinetools for tempering, plating and polishing the knives and forks. These, when delivered, are now indistinguishable from the best European imports.

Such finishing-shops have been established all over Java in various trades during the last seven years and their number was still steadily increasing before the Japanese invasion. They exist already in many districts for ceramics (crocery), hardware, furniture, agricultural implements and weaving and they certainly have been instrumental to the spectacular expansion of small-scale industry on the basis of centrals.

There have been earlier efforts to industrialize the Indies; in fact those efforts date from the commencement of our century onwards, but they were never very successful.

Not only were these previous attempts somewhat desultory and fragmentary, but they also took too little account of the social structure of the Indonesian community. They often did try to realize

the needs of consumers, but they failed to recognize the possibilities and limitations and the mental attitude of the producers

Once again it was the economic crisis of 1930 which spurred new activity and it should be noted that it was chiefly Indonesian pressure in the People's Council which demanded industrial development in order to make the country less dependent on agricultural and mining exports and of the tradecycles which dominated such exports.

The ideas brought forward in the years 1930-1934, however, were not very constructive. they hinged mainly on the supposition that if only the Administration would supply substantial industrial credits on easy terms, industry would soon flourish profusely as a coffee shrub blossoms after a shower.

Perhaps in those first years the Government was too negative. it explained ably and at length why lavish injections of money could not solve the problem, but it did not suggest how something else might be done, in order to effectively encourage new industries

In 1934 however, a drive for the development of industry began, to speak in the cliché jargon of our day: a threepronged offensive was launched on the problem

Indonesian activity developed very speedily, especially in the textile branches under cover of an umbrella of protective measures against undue economic penetration from Japan. (See note on page 55.)

European industry established a number of important factories, several textile plants, tire, soap and cigarette factories, breweries, an automobile assembly plant; a spinnery and many smaller ventures

The Industrial Division of the Department of Economic Affairs afforded important and enthusiastic assistance to both these branches, by framing appropriate legislature, by training instructors, by instituting advisory services and technical schools, by encouraging co-operation in Indonesian circles, by organizing practical research and by designing new and simple machinery and appliances and by thinking out processes, useful especially to small-scale industry

In the contest of this bird's eye survey, I must refrain from going more fully into the interesting history of the last few years. A much more comprehensive and more competent study of the industrial development of the Netherlands Indies by Mr. P. W. Sitsen, Head

of the Industrial Division of the Indies Department of Economic Affairs, is being published in this country in the near future.

The following pages are a few general remarks, endeavoring to place the problem against its proper background and to give an idea in what direction and on what scale this vital factor in economic progress was being developed.

I have always been reluctant to speak of the "industrialization" of Java, because I have found that some are inclined to interpret that expression as implying that the island should become an industrial center instead of remaining chiefly an agricultural area. Now of that there can be no question, but this does not imply that industry, and especially industry to supply an important part of the needs of the Netherlands Indies, should not become a most important factor in the economic structure of the Archipelago.

The arguments for the necessity of industrial development in the Netherlands-Indies, together with an understanding of the social and psychological attitude of the Indonesians, give some indication of the nature, the scope and the location of those industrial ventures which may be considered most promising to their sponsors or most advantageous to the community at large.

As was remarked in a foregoing chapter, the most cogent impulse to industrial expansion in the Archipelago is the pressure of population in Java. It is natural therefore that the Administration considers that island the obvious center for industrial enterprise. That is primarily because the widening scope of employment offered by new trades affords direct relief where the burden is heaviest. Moreover, it is Java which presents an enormous reservoir of labor, driven from agricultural pursuits by the ever smaller parceling of the land.

Other reasons also tend to favor Java: teeming markets for the new industrial products are close at hand, at least if the products are adapted to the simple needs of those markets; highways, railways, electricity are best developed in that island; plants for turning out machine-tools and other implements, and also repair-shops are already available. Establishment of certain industrial undertakings in one of the other islands may be desirable for some specific reason, e.g. local availability of bulky raw materials, coupled with low labor intensity, but whenever such circumstances do not exist, both the general interest of the country and the private interest of the prospective investor point to Java.

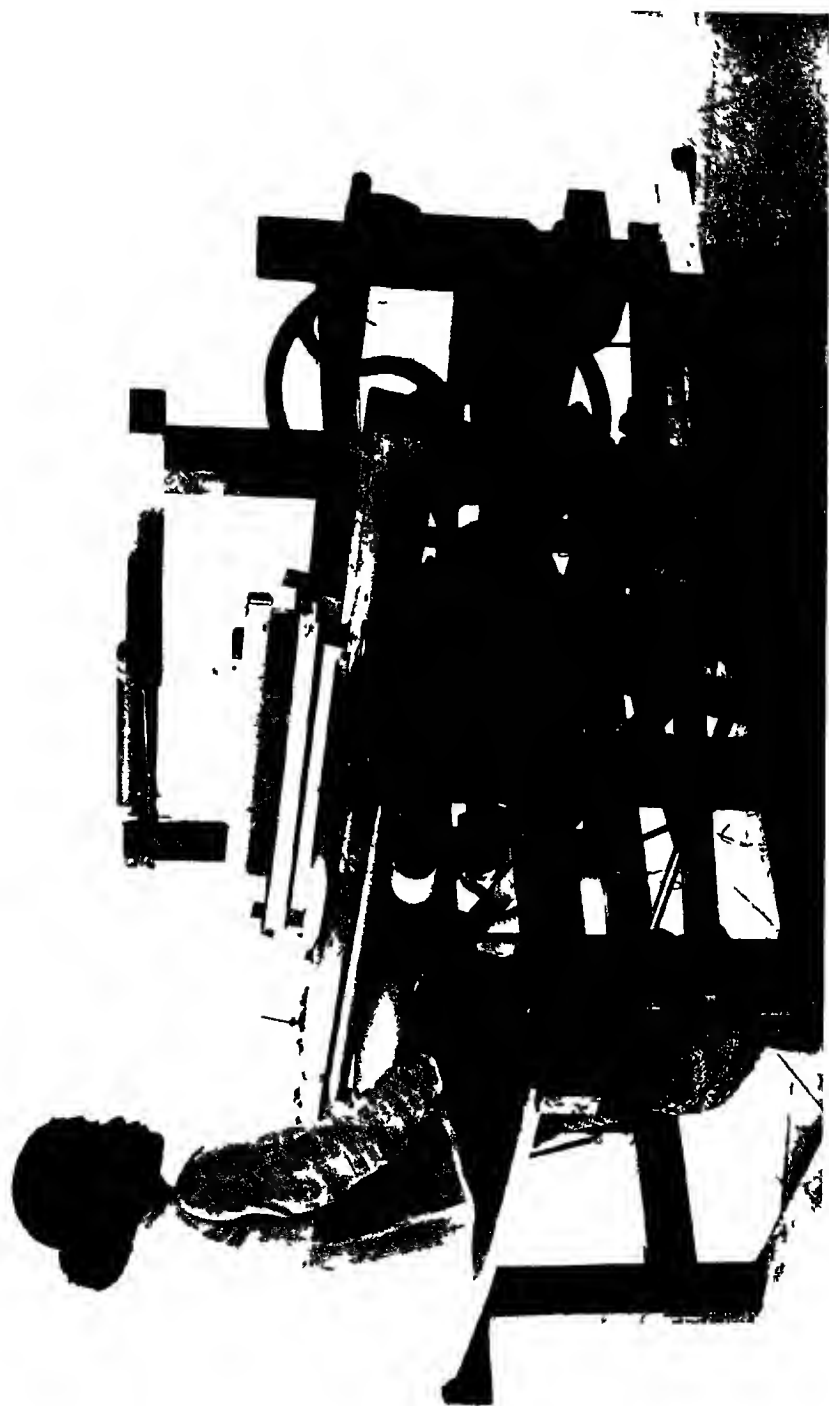
Another consequence of the population pressure as primary force, working for industrialization, is the advantage which labor-intensive industry enjoys over ventures which absorb little labor: in many cases this gives to undertakings employing a relatively large percentage of manual labor a seemingly undue priority over mechanical production. I say "seemingly", for in point of fact in Java in several respects the manual labor of the so-called small-scale industry has not only the social advantage of taking up a high percentage of the population surplus but it also quite often economically outstrips mechanical industry as the cost of production proves to be lower than that of mechanized processes.

In addition, most industrial undertakings of the kind met with in Java, with a high labor intensity, require only a relatively small capital outlay which is most important in a country where local capital is lacking and where capital from abroad is expensive and inclined to become domineering.

Lastly, experience teaches that "small-scale" industry with high labor intensity and low capital outlay is often much better able to stand the hardships of a depression than apparently robust, highly-capitalized undertakings. The principal running costs of the former are earnings for the small-scale industrialists themselves and wages for their workers, both naturally much more adaptable to changes in the general price level than the inelastic overhead expenses (rents, writing off and interest charges) of a big factory with expensive machinery run by a great corporation.

The exigencies of the population problem also create a preference for industries which are not tied to existing industrial centers (cities), but are able to spread over the island in comparatively small units, without being too dependent on nearby availability of raw materials (iron), fuel (coal, oil), accessories (water), so that they may be established where the population problem (poverty, unemployment, unsuitable soil) demands the introduction of new means of subsistence: here again "small-scale" industry, easily divided, generally fairly independent of local geographical conditions, seems indicated.

The necessity to make the Archipelago less dependent on foreign imports is second in importance to the necessity to relieve the problem of population in Java, but it is all the same a vital point which has become increasingly apparent during the last decade. When in 1935 there were commercial difficulties with Japan, that country



HANDLOOM

tried to put pressure on the Indies by arbitrarily stopping the exports of certain much needed textiles. Many who had before ridiculed the idea that the Indies should develop a number of industries of their own, quite apart from the employment angle, became accutely aware of the extreme vulnerabilty of the Archipelago, especially as communications with its other sources (Europe, America, Australia) might also be cut off, whilst the prices to be paid for many articles from the latter sources were higher than the Indies could afford. Naturally both these factors pointed in the first place towards the establishment of industries to meet the primary consumptive requirements of the masses and, as the two primary requirements of the masses are rice and cotton textiles, it is to the manufacture of cotton (or rayon) textiles that industry in the Indies is always inclined to turn.

Now weaving from time immemorial comes natural to the Indonesian farming community who have always, to a certain extent, used their spare time weaving for local requirements: like in most rural communities elsewhere the rather abundant spare time is used for non-commercialized cottage industry.

Cottage industry is important inasmuch as it creates a welcome additional income for the agricultural community and inasmuch as it has a certain influence in diminishing the imports of those commodities for which it is unsafe to be too much dependent on foreign sources.

But for the mitigation of population difficulties, cottage industry is of small significance as it does not increase the total number of jobs. Small-scale industry, however, which by definition implies that the worker has made industry and no longer agriculture his profession, is most important in this respect as is fully realized by the Industrial Division of the Department of Economic Affairs which has, during the last seven years, in close collaboration with Indonesian village industrialists themselves, very successfully encouraged this branch of activities.

The development of a local textile industry of impressive dimensions but split into numerous small but sturdy units, is the most inspiring example of recent industrial development.

Japanese imports of cheap textiles threatened to kill these young ventures and a quota system had to be introduced to protect this industry until it would be strong enough to hold its own against



MICHAEL HANDICOM

the Japanese marauder. The Industrial Division, in carrying out its task as sketched above, assisted in constructing and making known and available cheap and practical looms, facilitating and controlling the imports and the distribution of cotton yarns and dyestuffs and by training weaving instructors, by assisting in the organization both of production and selling cooperatives, and last but not least by measures to promote a balanced development of industrial production.

In 1930 there were in Java,—i.e. besides the primitive handlooms employed in cottage industry — 500 modern handlooms and 40 mechanical looms: in 1941 there were 49,000 modern handlooms and 9,800 mechanical looms.

Gradually many of these small-scale industries were becoming strong enough to stand up to outside competition, even from Japan. In 1939 it was estimated that 2,200,000 workers were engaged in different small-scale industries.

A handicap to healthy development of rural small-scale industry in efficient units were the inordinately high rates for electric power in the Indies. That point was already an eyesore to the Administration: after the war undoubtedly measures will have to be taken to obtain much lower tariffs.

Nevertheless small-scale industry grew very fast: already in 1934, however, the rapid expansion in several branches of industry was becoming rather alarming and there was real danger that within a few years productive capacity would exceed demand with disastrous competition and price cutting as unavoidable consequences.

By the Business Regulation Act, the Legislature delegated to the Government the authority to place certain branches of enterprise under control, implying that in such branches new ventures and expansion of existing ventures would only be allowed to an extent considered consistent with the interests of the community at large: the Administration was authorized to attach restrictive conditions to the permits issued.

The conditions sometimes applied to the kind of article to be manufactured in order to prevent overcrowding in a certain branch or to encourage manufacture of some useful textile of which production was still too scarce; conditions could also specify where the new venture would be allowed and they might impose certain minima as regards wages and other labor conditions.

The ordinance on the whole has worked well, but it has had to be adapted to changing circumstances and developments and to experience gained.

This applies especially to the executive decrees under which certain industries were brought under the provisions of this blanket-act.

One of the most important general modifications has been the establishment of advisory boards for each branch of industry, to which the ordinance was applied, with a general board to advise the Government on policy framing measures at the top: on those boards both factory and small-scale industry, consumers and the Government were represented, not on the basis of the quantitative interest, but of the expert practical knowledge and reliability of the individuals appointed.

Bureaucratic and inefficient interference which, during the first two years, was sometimes complained of, was thus reduced to a minimum and business interests, I think, would eventually have been reluctant to see this legislation withdrawn, beneficial as it was both to large and small-scale industrialists, both to producers and consumers.

Although originally it had tended to restrain initiative to a certain extent, it was developing into a powerful incentive to new enterprise by showing clearly on the one hand in which direction a venture would have little chance of success and on the other in which direction there might lie valuable possibilities.

Factory enterprise was urged towards production which was unsuitable for small-scale industry, both by application of the business regulation act and by offering facilities and advice, if the interests of the community were met.

The principal branches of industry, to which this act has been applied, are weaving—by far the most important—printing, ice factories cigarette factories, dock and stevedore establishments, rubber mills and ricemills.

I have often been asked if the development of industry in Java will not tend to diminish imports into the Netherlands Indies to the detriment of their agricultural and mining exports and to the detriment also of those industrial countries which have been the principal customers for raw materials.

All experts agree—and I take their side with conviction—that the trend will be in the opposite direction: experience elsewhere definitely points that way.

In the first place industry in the Indies is especially, although not entirely, directed towards the manufacture of low-priced primary necessities for the masses: clothing, household utensils, agricultural implements, foodstuffs, packing materials. Several of these imply added consumption of consumer articles, not imported before, for which a demand was born when the income of certain large groups of the community started rising above subsistence level.

That situation was brought about by the increasing participation of Indonesians in production for exports, by the effects of transmigration, by the expansion of industry itself.

In the second place, whilst undoubtedly the demand for imported textiles and several other commodities has already decreased and will go on decreasing, the added income of expanding industry has, during the last few years, already created and will progressively create a demand for new and more expensive import—articles, industrial products, which can only be obtained from highly industrialized countries like America and Western-Europe (e.g. machine tools, installations for heavy industry, automobiles, trucks, planes, engines, radiosets, fountainpens, safety razors, books, electrical appliances, refrigerators, specialized foodstuffs and drugs, thermos-flasks, typewriters, airconditioning units, etc., etc.) and also for certain raw materials and semi-manufactures such as steel, copper, cotton, rayon yarns, chemicals, etc.

It appears to me that it is especially the United States which stand to profit by such a change: in the last few years before the war, America came third on the list of importers into the Indies, i.e. after Holland and Japan.

But America accounted only for a very small share of the textile imports: if these decrease and other more elaborate imports expand, America will most probably be the principal beneficiary, losing very little in one sphere, keeping what it has in a second, apt to gain a great deal in the new imports which will gradually supersede those textiles.

A very well informed American Consular Officer in Batavia remarked to me a good many years ago that, as a market for industrial exports from the U.S.A., the whole Netherlands Indies did not mean much more than the city of Baltimore.

I think at the time he was right and I have been watching the tide of American imports into the Netherlands Indies rising from

year to year ever since as an almost infallible barometer of the rising standard of living and of an increasing popular demand to obtain more out of life, not yet perhaps of the masses as a whole, but undoubtedly of an annually thickening layer of those masses.

One might, to end this chapter in a practical vein, say that, from an American businessman's point of view, the Javanese should manufacture their own textiles, in fact, grow prosperous generally and become 70,000,000 potential, if modest customers, of America.

CHAPTER VIII

Red Lights and Green Lights

The post-war seafarer, setting a new course over the turbulent waters of the ocean, will spy many wrecks.

Those are the ill-starred experiences and experiments of a bygone period, of which he will steer clear if he can keep his own ship under proper control: an old Dutch proverb says that a ship on the coast is a beacon at sea.

It is indeed unfortunate that so many beacons are reminders of errors and failures: will there be for us no lights of experience on the road to economic world reconstruction and world prosperity? One is inclined to reply in the affirmative, at least if there is not a bias against everything that existed before this war, just because it is pre-war.

In my opinion, the brief history of international commodity controls offers, both in its achievements and in its shortcomings, in at least one important sphere, some practical guidance for the future as to what may profitably be pursued and what should be studiously avoided.

In several of these international controls of tropical raw materials, the Netherlands Indies have played an important and sometimes decisive role: these schemes have become a major factor in the Indies Government's directed economy both towards the outer world and in its policy of readjustment of domestic economic relations. It is therefore that these controls will be briefly discussed here. The scope of this little book prevents me from presenting a survey of the international counterpart of the internal economic policy of the Indies during the past decade, so I am confining myself to a brief expose of just one aspect of that policy, the willingness, or better said, the earnest desire of our Government to cooperate with other countries in building up international machinery for careful adjustment of supply to demand with a reasonable margin of profit to efficient producers and a guarantee that world requirements shall be satisfied

at prices which act as an incentive to consumption and not as a deterrent.

For a whole series of agricultural products, in which pre-war international cooperation was impossible or the time for collaboration seemed not yet ripe, the Government of the Indies has taken autonomous measures to put their own house in order, hoping and preparing for the day when organized producer-consumer cooperation will be able to take over what one country by itself can only accomplish to a limited extent.

I shall endeavor to describe briefly the development of two of these international controls, rubber and sugar, against their local backgrounds, and refrain from presenting the story of tea and tin.

I shall also give an outline of a few of the autonomous controls after which, having been for a number of years actively connected, both in the Indies and in Europe, with the drafting and operating of international schemes, I shall venture to submit a few suggestions on future policy.

Somewhere late in the nineteenth century someone rounded up a wild tree in the South American jungle and brought it to southeast Asia: it was only many years later that it drew attention there: it was tamed and its children and children's children were taught to live and grow in an orderly manner and in a tidy formation and to yield to the world in ever-growing quantities the raw material which in peace links up the cities of far-flung continents and in war wins battles for the "haves" and loses them for the "have nots."

That magic tree is the "*Hevea brasiliensis*," the principal source of natural rubber. In the vegetable kingdom, it is one of the principal blood donors for the benefit of mankind.

In the Netherlands Indies systematic planting of *Hevea* commenced about 1910¹: thirty years later, the total registered area planted with rubber trees in the Indies was 1,640,000 acres of estate rubber and 1,835,000 acres of Indonesian rubber: recent investigations have proved that this latter figure should be raised to at least 2,500,000 acres: the total basic export quota for 1942 for all southeast Asian

¹ In 1876 some *Hevea* seeds which were brought from Brazil to England germinated successfully at Kew Gardens. Young plants from these seeds were taken to the Far East for the first time. The first rubber from the Far East reached London in 1889; in 1899 the total production of all Far Eastern territories was four tons, the total planted area was 4,000 acres; in 1905 total production from the Far East was 145 tons and the planted area was over 150,000 acres.

rubber areas is 1,563,000 long tons per annum: of this the Netherlands Indies' share is 650,000 long tons. The number of rubber trees in the Netherlands Indies is reliably estimated at just over one and one-quarter billion.

Is it generally realized that without this achievement in little over a quarter of a century, the United States automobile industry and many other industries could not have become what they are, and that the American way of living would have been vitally different from what it is.

The Netherlands Indies before the Japanese occupation produced two-fifths of the world's rubber requirements.

If the Indies had received in time delivery of their orders for planes, tanks, munitions, placed in the United States from 1938 onwards, for which advance payment in hard American dollars on the nail had been made; if other actual theaters of war had not understandably, but none the less unfortunately, absorbed the supplies we so bitterly needed; if Singapore had not fallen; if the Indies had not lost the major part of their air force and a part of their naval units in flying and sailing to the assistance of Malaya and the Philippines, sinking scores of enemy warships and freighters,—I wonder, endeavoring to suppress a lingering bitterness, who recollects all that now?—if Britain and the United States had been able to send substantial and timely reinforcements to that vital theater of war, the rubber problem would not be rocking this vast western hemisphere at present.

But there have been many more "ifs" in this war and it is better to leave their proper marshalling and appraisal to the historians and to adhere to the facts of the case.

I am not sure that all those who read so much about natural rubber today, have a clear conception of how it is produced. Condensed to two hundred and fifty words, the simple process is as follows: with a special knife, a skindeep incision of about one foot in length is made in the bark of the tree, from one to five feet from the ground, slanting down at an angle of forty-five degrees from left to right; the milk, called latex, starts running down the incision, at the lower end of which a small aluminum or china cup is attached, which receives the latex. The incision is repeated at regular intervals and the combined scars, one above the other, gradually make a broad belt in the tree bark. The full cups are emptied into containers by collectors and the latex is taken to a central processing plant.

The fluid is sieved, mixed, diluted and poured into small open reservoirs: some formic or acetic acid or alum is added to speed up coagulation, which process is completed in about an hour. The soft cake of rubber is then taken out and rolled out into thin standardized sheets, the so-called "standard ribbed smoked sheets," one-eighth of an inch thick, thirty-five inches long and eighteen inches wide, weighing one kilogram (just over two pounds). The sheets are hung up in so-called "smoke houses" and cured like so many hams; the color changes from greyish-white to coffee-and-cream; after some five days, the sheets are packed into plywood cases or baled and are ready for transportation overseas.

There are more and there are less elaborate ways of preparing rubber, but this is the standard system.

For a number of years rubber was mainly produced by western-managed estates, especially in Java and on the northeast coast of Sumatra. There were some 1,200 estates in 1939.

In the early twenties, however, the Indonesians in Sumatra and Borneo began to realize that here was a precious opportunity for an important venture of their own, of which opportunity they were not slow in availing themselves; it implied very small capital outlay: soil, seeds, labor, a smoke house built from local timber, bamboo and reeds, a number of petroleum cans and a little alum for coagulating purposes. The soil was there in the jungle for the taking; seeds were supplied by the Government agricultural service; a limited, but for the time being sufficient quantity of labor was available within the family circle of the small holders owning a number of Hevea trees. During the first period, the seeds were sown more or less at random; fairly inferior, so-called slab-rubber, was manufactured, until later, with the guidance and assistance of the field officers of the agricultural service, better methods were employed and Indonesian sheet rubber was fast becoming just as good as estate rubber. But that was not until the middle thirties.

In less than twenty years these Indonesian planters, having started from scratch, were actually producing for their own account one-fifth of the total world requirements. Who said the Indonesians are a static community?

The expansion of both estate and native rubber plantations was speeded up considerably by several outside factors.

The British had also been planting vast areas of Hevea in Malaya and Ceylon, and around 1922 there was serious danger of supply

running far ahead of demand, which was then on a very moderate scale, compared to a decade later. The British liked the good prices rubber was fetching in the American and European markets around 1920 as much as did the Dutch, and when a steep fall set in in 1922, the former approached the latter to cooperate in a scheme for restriction of exports, under which the rate of release of rubber was to be pegged to a certain pivotal price which was in the beginning not unreasonably high. If prices fell below a certain level, exports were to be curtailed; if they rose above that level, more rubber was to be released.

The Dutch planters turned down the proposals, not because they disliked making money, but because they thought the scheme was a bad one, predestined to collapse. There was too much of a price cartel in the original set-up and the Dutch did not like price cartels. Nevertheless the scheme—the "Stevenson Scheme"—was put through by the British and was fairly successful for a few years in maintaining a remunerative price level.

The British are—understandably from their point of view—still resentful about the Dutch attitude in those years: the latter did not share in the, by the way, not very substantial sacrifices imposed by the Stevenson restriction scheme, but partook to the full of the advantages of temporary high prices, and it was under the stimulus of those high prices that large areas were opened up to estate and Indonesian rubber in the Netherlands Indies.

Eventually the Stevenson scheme collapsed, as it was bound to do, when it was more employed for bolstering up prices instead of for the object of maintaining a reasonable equilibrium between supply and demand.

In fairness it should be said that the wise Dutch policy of holding aloof from the unsound arrangement, coupled with the not too commendable, if perhaps unavoidable use they made of the opportunities which it offered for all-out production and expansion, contributed largely to the ultimate miscarriage of the scheme.

There were three main reasons for the catastrophic collapse of the rubber market in the years after 1927.

Firstly, there was the psychological effect of the abolition of the Stevenson scheme, coupled with the actual appearance of large extra quantities of rubber from Malaya and Ceylon.

Secondly, there were the gradually materializing consequences of



RUBBER TAPPING

the extensive plantings in the Netherlands Indies during the operation of that scheme.

On top of these two causes came the great industrial depression of 1929: serious curtailment of purchases for the U. S. A. and consequent extra-fall of prices.

The situation was aggravated by a symptom which is always a serious contributory cause to the extra harsh treatment that the perennial cultivations are subjected to by trade-cycles. When there is a boom and demand exceeds supply, there is the usual tendency to increase production, but by the time the new plantings are ready to supply the market—it takes from four to seven years before a Hevea tree is commercially tappable—the boom has usually made way for a depression: that was just what happened in a particularly serious degree in 1929.

The following figures show Batavia rubber prices in percentages of 1913: they speak for themselves:

1913.....	100	1926.....	80	1930.....	20
1915.....	93	1927.....	64	1931.....	10
1920.....	68	1928.....	38	1932.....	6
1925.....	112	1929.....	35	1933.....	7

Now the price of 1913 was the price of a more or less new commodity and naturally had to be high: in terms of money it came to just over \$0.50 per pound. The cost price was still considerable, so the selling price was not unreasonable. The short-lived price of 1925, however, when the cost price had already been substantially reduced, was certainly no longer justified.

But the brief series of inordinately plenteous years was followed by a protracted series of much more exorbitantly lean years: the disastrous prices of 1931, 1932 and 1933 equalled only one-third to one-fourth of the direct cost of production of an efficient estate. The situation had become completely desperate for the 1,200 estates and their European and Indonesian employees: many of the plantations had to close down.

In the native rubber districts of Sumatra and Borneo, rubber production went on, especially wherever there was no hired labor.

The family of the small-holder lived on the proceeds of their plot of rubber trees and they produced the rubber necessary for their subsistence: to a certain extent there was sometimes even the para-

doxical effect that low prices stimulated production. The estates had their more or less rigid overhead expenses; the native producers, and especially the non-employers among them, had practically no overhead expenses and actually very small running costs.

This is a remarkable symptom which has been widely observed, i.e. that many non-capital-intensive ventures are better able to weather the storms of depressions than large and ostensibly powerful western enterprises: in describing small-scale industry in Chapter VII, I drew attention to the same tendency.

The British producers clamored for an agreement to remedy the appalling disproportion between supply and demand and this time there were many Dutch producers who were prepared to cooperate with them. But there also remained many who were not; the most powerful, i.e. not necessarily the most efficient, but the richest in capital reserves, desired to adhere to the law of the jungle: the survival of the fittest.

Now this is generally an economically erroneous and socially wicked theory. It is economically unsound, because in practice in the long battle for existence many more units of production are knocked out than are really superfluous; there is mostly a terrible destruction of capital and often the victors themselves prove to have been bled white, with all that it implies for the community.

The battle is socially wicked, because while it is waging—and it may last long—it is labor that suffers the severest blows: unemployment, reduced wages, longer hours.

Yet the Government of the Indies wavered for some time: it was afraid of a regulation scheme developing into another price cartel as did the Stevenson scheme and it seemed moreover impossible to find a way of regulating the flow of rubber from the Indonesian producing districts in Borneo and Sumatra.

It would be comparatively easy to allocate to each estate a share in regulated exports; several bases were possible: e.g. actual exports in former years or estimated productive capacity of the plantations.

But there was no register of Indonesian plantations; there were no individual figures for former years; many gardens had been planted and never tapped or only tapped at certain times of the year when the owner needed cash.

Literally dozens of schemes were suggested and as many were turned down. Something, however, had to be done to prevent a

complete collapse which would have been a major catastrophe for the whole world, producer and consumer territories alike.

At last, on May 7th, 1934, an international treaty for the regulation of the production and export of rubber was signed.

From the very outset it was an agreement between governments notably the United Kingdom for Burma, Ceylon, the Federated and Unfederated Malay States, the Straits Settlements, the State of North Borneo, Brunei and Sarawak; the Kingdom of the Netherlands for the Indies; India; Thailand, and France for Indo-China. The aim of the agreement is laid down in the preamble:

"Considering that it is necessary and advisable that steps should be taken to regulate the production and export of rubber in and from producing countries with the object of keeping world stocks at a normal figure and adjusting in an orderly manner supply to demand, while at the same time making available all the rubber that may be required and maintaining a fair and equitable price level which will be reasonably remunerative to efficient producers, and being desirous of concluding an Agreement for this purpose: ***."

Each of the principal cooperating territories had a basic quatum allotted to it, fixed by mutual consent after lengthy negotiations: these basic quota were intended to express the potential productive capacity: during the operation of the Agreement, they have had to be readjusted several times when more accurate assessments proved the original figures to be inaccurate, and they will certainly need further readjustment after the war. To operate the scheme, a committee was set up, composed of delegations of the cooperating territories: delegates were appointed by the Governments. The principal task of the Committee was to fix in advance for every quarter the quantity of rubber to be released, expressed in a percentage of the basic quota: that quantity is called the "permissible exportable amount." Releases were always based on carefully prepared estimates of expected absorption and were never—here is an essential difference with the Stevenson scheme—brought into any relation to the prevalent price level.

In their deliberations, the Committee were ably assisted by a so-called "Consumers' Panel," appointed by the consumer (rubber manufacturing) interests in the principal rubber importing countries (U. S. A., United Kingdom and Germany). The Committee,

consisting as it did of Government delegations, would have welcomed Government delegates on the Consumers' Panel, but those Governments did not feel disposed at the time to appoint official representatives.

Nevertheless the wishes of the Governments of consuming territories as regards the permissible exportable amount, were often conveyed to the International Committee through the medium of the Consumers' Panel. During the first few years of cooperation the status of the Panel remained somewhat uncertain, but during the last four years there existed a very close cooperation between producers and consumers. The U. S. A. having been for many years by far the world's greatest consumer of rubber, the expert assistance of the American representatives has been invaluable to the Committee.

Naturally the tendency of consumer interests at times was to take a somewhat more optimistic view of the prospective trend of consumption than that of producers, but almost always consultation of producers and consumers in a spirit of mutual confidence led to a satisfactory outcome for both parties. After 1937 the Consumers' Panel was no longer only called in for consultation, but was present at all the discussions in which they partook for all practical purposes as members; they had access to all available figures and, while they did not have a vote—a situation which was perhaps not wholly satisfactory but which it would have been difficult to remedy as long as the consumer countries did not desire to have official representation—this made little difference in practice as a ballot was hardly ever taken.

The scheme was emphatically not a restriction-scheme although it has often been loosely called by that name: the object of increasing the demand for rubber became as important as the adjustment of supply to demand.

Producers were compelled to pay one and two-thirds cents per 100 lbs. of imported rubber to provide for research establishments whose duty it was to find new applications for rubber, better kind of rubber (oil, light, heat resistant). Vast sums have already been spent on research.

The Committee's consumption estimates for the coming periods, drawn up in close cooperation with the expert calculations of the members of the Consumers' Panel, have on the whole been remarkably accurate: the figures are there to prove it. Prices, which in the

seven years preceding regulation fluctuated between \$0.75 per pound and \$0.04 per pound, during the seven years of regulation moved between \$0.09 per pound and \$0.18½ per pound, which latter figures include both the prices during the period when consumption soared to an unparalleled high during the sudden boom of 1937 and the period of unprecedented demand just before and during the war. When one takes into consideration that the average estate rubber producer in the Netherlands Indies needs about \$0.14-\$0.16 to cover his direct costs, that would seem to be a very presentable record.

To avoid misapprehension, it seems useful to mention that there are certainly a number of very modern plants in the Netherlands Indies which can produce at about \$0.11-\$0.12, while many others, which are decidedly not inefficient and which we could not afford to allow to drop out of production if we at times desire an all-out effort, would need at least \$0.17. Native rubber can—technically—be produced in comparatively limited quantities at a low price, but it is, frankly speaking, a form of usury to pay such prices because experience teaches that the Indonesians just go on producing rubber to obtain means of subsistence, having no other possibilities in the rubber districts, but it also teaches with grim clarity, how every amenity disappears from the lives of these millions of dependents on rubber when rubber prices fall below \$0.10-\$0.13 per pound. In 1939 rubber was by far the most valuable export commodity from the Netherlands Indies, topping mineral oils by some thirty million dollars.

When the Government of the United States initiated its policy of buying rubber for the purpose of building up strategic stocks, the contracts were negotiated by the Rubber Reserve Company with the International Rubber Regulation Committee, which undertook to make all rubber available in the cooperating territories to implement the engagements it had entered. The Committee lived up to its promise completely and the Governments of the several territories involved took adequate measures to speed up rubber production and exports by all means at their disposal: in fact, when the Government of the United States found that their purchases of rubber could be further accelerated by a system of concentrated buying in the producing territories of southeast Asia and established a special Government agency with this object, the Government of the Indies immediately eliminated all incidental selling by private companies and on their side also instituted a Government body in which was vested

complete authority to ensure that all available rubber should be diverted to this bureau. It prohibited sales to any one but the American Government agency, excluding all neutral destinations: all shipping was in Government hands and rubber obtained an overall priority.

The permissible exportable amount had meanwhile been brought up to 120% of potentiality by the International Rubber Regulation Committee in order to make use of every possibility in every place. Figures of well above one hundred percent of the basic quota were actually reached in many districts in the territories which had become battlefields and where a large proportion of higher employees and skilled labor were mobilized for military service and for civil defense: the enemy took a heavy toll in some of the rubber districts. Until the last day of organized resistance, ships, loaded to overflow with rubber, continued to put out to sea from Java and Sumatra: in that effort many vessels went down, the largest navigation company lost more than half of its ships; thousands of Dutch and Indonesian seamen lost their lives, but for months after large quantities of rubber in bottoms which were hunted and dispersed by the enemy over the Indian Ocean and over the Pacific, continued to arrive in the Western Hemisphere.

The bulk of remaining stocks in the ports was burned when further shipments became impossible.

It has been suggested that the rubber producing territories did not go all out in their efforts to produce and export: to one who knows what was actually undertaken and achieved, such comment seems hardly fair.

Once again I have run far ahead of my narrative: I was explaining the working of the International Agreement and the activities of its Committee, but a writer in wartime may be excused if now and again the stark realities of hostilities break into his description of the peaceful pursuits of mankind.

Let us return to the working of the rubber agreement and see how it was put into operation in the Netherlands Indies. It was difficult enough to come to an international agreement to adjust the supply of natural rubber to world requirements, but it was quite another thing to implement that agreement by efficient and fair measures to ensure the proper carrying out of the commitments: that was of course not the task of the International Committee, but of each Government for its own territory.

For each of the 1,200 rubber estates, assessments had to be made of standard production: registration of exports in former years, evaluation of the progressive productive capacity of new plantings, deductions or additions for special circumstances were necessary to obtain a reasonable and accurate allocation of individual shares in the total basic quota of the country. After careful investigation and experimentation, an acceptable scheme of distribution was fixed.

The division of the Indies's total basic quota over estate rubber and native rubber was another problem: the original settlement of 1934 was far from satisfactory to native rubber, but it must be conceded that at the outset the Administration possessed only very inadequate data on which to base their decisions: eventually the division was revised.

However, by far the most formidable problem was the elaboration of a scheme for controlling exports of native rubber on the one hand and of allotting fair shares in the total available export quota to Indonesian small holders on the other.

The system first put into operation in 1934 was admittedly primitive, arbitrary and inadequate.

There was only one excuse for it: any better system would have taken some years to build up, while the situation of rubber was, as has been set forth above, literally desperate.

The system, or better said, the make-shift, decided upon until a better scheme had been prepared, was based on the alleged experience that Indonesian rubber growers generally increased their output and exporters speeded up their deliveries when prices in the world market were high, and curtailed production and exports when world prices fell. It was maintained that through the years there had even been a discernible relation between world market prices and actual exports of native rubber from various ports. Figures were produced to corroborate this contention, but though interesting, they were hardly convincing. A kind of countervailing duty was clapped on exports, which duty was intended to screw the exports down to the level fixed by the Rubber Committee. Suppose the quantity to be allowed from a certain district during a certain period (one quarter) was fixed at 10,000 tons and suppose experience showed that in the past 10,000 tons had been exported in a quarter with a world market price of 8 dollar-cents per pound, while the world market price was actually 11 cents; then the countervailing export duty would have

to be fixed at 11c 8c = 3c should the locally exportable amount for the next quarter be 12,000 tons and should it appear from the annals of experience that before regulation the district was wont to export that quantity with the world market price at 9c and should the actual world market price meanwhile have risen to 14c, the countervailing duty would have to be adjusted to 11c 9c = 5c

You see how simple it all was. But as world rubber prices soared in 1936, the countervailing duty had to be raised continually until it was higher than the amount the Indonesian producer was obtaining for his rubber.

The situation rapidly became untenable. One could only justify its temporary maintenance to a certain extent insofar as it had contributed to the saving of the rubber position from complete collapse by making the rubber agreement possible while a better scheme was being worked out. The proceeds of the countervailing duty were used for public welfare measures in the native rubber districts. In those years, scores of millions went into new roads, dwellings, irrigation works, bridges, schools, mosques, livestock in the rubber areas of Sumatra and Borneo. Undoubtedly, many extremely useful and large scale works were carried out, which in the ordinary course of events and from ordinary public funds would not have been attempted for many years. Undoubtedly also the community at large in the rubber districts in future years, when they look at their neat market halls, their modern slaughter houses, their public libraries, will praise the short lived era of the 'special rubber export tax' as it was called officially. But to the individual Indonesian producer of Sumatra and Borneo, who is a shrewd and keen business man, the permanent testimony of this wave of local public prosperity at his expense may be less palatable.

Certainly the estates also had to make a sacrifice for the regulation scheme in the form of curtailed production, but it is equally certain that it was the Indonesian producer on whom the brunt of regulation fell during the first two and a half years, and it was not he, but his community that profited.

The scheme proved also technically unsound, for the relation between exports and prices was not nearly so obvious as the advocates of the scheme had alleged. After a time it became impossible to control exports by manipulating the export duty.

The Government, however, did keep its pledge of preparing a new scheme at as early a date as possible within little over a year and

a half, all the small holdings in the native rubber areas were assessed and registered. Twelve hundred "tree-counters" were sent out everywhere and took a census of one and a quarter billion rubber trees. The magnitude of the work may be gauged if I mention that over 715,000 small-holders were registered and received licenses to export; these small holders are spread over an area as large as all the eastern seaboard states of the U. S. A. combined. Even an owner of 20 trees gets his license and his quarterly export-coupon. By the first of January 1937, the unpopular countervailing duty was abolished and this so-called "individual scheme" was put into effect: it has worked very satisfactorily right up to the Japanese invasion. It would lead me too far to explain the details of the working of this scheme. It suffices to say that it is a most interesting experiment which may well prove useful not only for future similar schemes in the Indies, but also in other countries.

Another agricultural industry which was extremely hard hit by the depression of 1929 was sugar.

In the Netherlands Indies sugar cane is only cultivated in Java, and as it is as dependent on irrigated land as is paddy, it is impossible to plant sugar cane on virgin land in the hills: the sugar industry therefore has to lease the soil from the Javanese population. Sugar is, practically speaking, completely a European plantation industry; cultivation of cane by Indonesians for their own account is of very little importance. The sugar industry was expanded enormously between 1870 and around 1930. During World War No. I, production of beet sugar in Europe had to be substantially curtailed both because vast areas under beet had become battlefields and because the war cut down the supply of labor in Europe tremendously. Cultivation of sugar-cane expanded in all the tropical sugar producing countries on a great scale. After the war, however, many European countries started building up a beet sugar industry again, not primarily because it was so profitable, but chiefly because on the experience gained in the war, i.e. for strategic reasons, one did not want to be dependent on imports, and also because the beet sugar industry employed a vast amount of labor.

It was, however, in most countries a very unsound proposition; high tariff walls and subsidies had to be introduced even in normally free trade countries like the United Kingdom in order to encourage local efforts.

The Java sugar industry, over-confident in the knowledge that they

were by far the world's cheapest producer, took comparatively little note of the expansion of beet sugar production. After all, the world for many years continued to take up the total crop of Java at prices which were generally reasonably remunerative.

When the crisis of 1929 broke and tariff walls were being drawn up higher and higher, the Java sugar industry was fairly suddenly faced with great odds and it became increasingly difficult to get rid of the crop. A great part remained unsold at the end of the season while in former years all or at least the major part of the crops had already been sold before the harvesting began. Several other sugar producing countries got into similar difficulties: of these, probably Cuba was the most important. A private scheme for cooperation in order to adjust supply to demand was initiated in 1930 by Mr. Chadbourne, an American banker, who had large interests in the Cuban sugar industry: several countries, including Java and Cuba, accepted the scheme and the Government of the Netherlands Indies was found willing to take the necessary steps to insure a limitation of sugar exports in conformity with the Chadbourne Agreement.

The scheme from the outset was not particularly successful. In the first place there was no agreement about the method for cutting down the exports of each cooperating country proportionately, nor was there a central authority with decisive powers. In the second place, the scheme was by no means comprehensive enough and the sacrifices made by the collaborating countries were offset by the increase of sugar production in outside territories.

Although the Chadbourne Agreement lingered on, and although several attempts were made to make it more effective, it lost any real importance it had after 1932 when the international situation grew worse and worse.

At the end of 1929, Java alone possessed a surplus stock of about three million metric tons, the equivalent of a complete crop in normal years. Internal dissension among producers in Java aggravated the position: for a number of years the sugar companies on that island, representing 177 of the existing 181 factories, had been organized in a central selling agency which dealt with practically all the sugar that Java had to supply. In the latter half of 1931, many of the members of this selling agency wished to terminate their relations with the organization, which towards the end of the year was threatened with collapse. Until then, the existing tremendous sugar stock had been held and financed by the central body, but if

that body were to disappear, there was a great danger of the sugar being thrown on the world markets by the individual companies in a rush to save their lives with, as a result, a catastrophic price drop which would have ruined many factories. At the request of a number of sugar companies, and much to the dismay of a substantial minority, the Government agreed to step in, realizing that a negative attitude would result in a major calamity to Java and to all those thousands of people who were used to earning their living either directly or indirectly by the sugar industry (60,000 laborers all the year round; 750,000 during the time of the crops).

The Government established a new selling agency, under their supervision, of which all sugar factories which desired to continue exporting sugar were compelled to be members. This new organization, the "Netherlands Indies Association for the Sale of Sugar" (N.I.V.A.S.) became legal holders of all sugar produced by its members and, by a careful selling policy, managed in a few years to materially improve the situation. The Government also decided to restrict the sugar plantings to an officially fixed limit every year. This curtailment of production, although of course restricting employment in the sugar industry to a serious extent, ultimately helped to get rid of the greater part of the excess stocks. Nevertheless, the situation of the sugar industry continued to be most unprepossessing: a large number of factories had to go temporarily out of production owing to the Government's measures, but they still remained in existence in the rather forlorn hope that in a few years Java sugar production would again be at its pre-depression production level of around three million tons. This attitude of so many factories tended to keep overhead expenses at an irrationally high level and to perpetuate the existence of a number of factories which continued to be a menace of over-production at a later date. In 1935-1936, the Government took a series of further measures which had the object of rationalizing the productive apparatus of Java to about one-half of its former capacity. The system applied was rather intricate and I must refrain from giving a description of how it was worked. On the whole, the situation after all these reforms became definitely more healthy, but still the world sugar situation continued to be very precarious and whatever sacrifice Java or Cuba or perhaps a few other countries made to adjust their production to demand, expansion of the sugar industry in other countries simply neutralized this effort.

In 1937, at the request of the British and Dutch Governments, delegations from practically all the sugar producing and principal consuming countries of the world met in London and, after protracted and sometimes heated discussions, came to an agreement, the International Sugar Agreement, to which twenty-five sugar producing and sugar consuming countries adhered.

The sugar scheme was not nearly so effective as the rubber scheme: it did not provide for any real authority to be vested in the International Sugar Council for adjusting supply to demand. Any cutting down of the basic quota embodied in the Agreement could only be arrived at by bargaining and bickering.

There was another serious initial weakness in this Agreement. The total amount of basic quota allotted to the producing countries was more than 600,000 metric tons higher than were the world requirements in the so-called "free markets" at the time of the signing of the Agreement. I have just mentioned that there was no authority with the International Sugar Council to put any restriction on the exports of sugar. It is a well-known fact that the existence of even a comparatively small over-production of a certain commodity tends to pull down the price in the world markets as seriously as if the divergence between the surplus and the requirements had been much greater.

Still the International Sugar Agreement has proved of great importance from May 3, 1937 until the commencement of World War II, and even to a certain extent up to the present day. Every year, prior to the war, weeks of protracted discussion have always resulted in substantial sacrifices being made by the countries involved, and every year members of the Council were able to go home after fixing a total amount of actual export quota which was not too far above the amount that the world would be able to absorb. An important advantage which this Agreement had over the rubber agreement is that it included both the producer and the consumer countries; there has been a genuine endeavor every year to arrive at a constructive result, because everyone was convinced that the world sugar prices would collapse if such agreement were not reached.

A third asset of this Agreement was the fact that it comprised twenty-five producing and consuming countries, the delegations of which in many meetings have learned to cooperate. Right up to July, 1939, German and British, French and Russian, Czech and Hungarian, Polish and Dutch, United States and Yugoslavian,

Brazilian and Cuban, Belgian and Haitian delegates and many others sat together, endeavoring, not without success, to settle their joint problems. Even after the war had broken out, and ever since then, the bulk of members, with the exclusion of the representatives of the Axis nations, the representatives have continued to meet in London regularly. They cannot, of course, do very much about deciding the export quota for the several countries, but they keep up the contacts, so laboriously established, in the expectation of setting up a new and more effective form of collaboration when hostilities are terminated.

The *International Tea Regulation Agreement*, which was initiated in 1933, comprises India, Ceylon, the Netherlands Indies, Kenya and Tanganyika. It is operated by an international committee and has worked well, but the problems are less intricate than either those of the rubber or those of the sugar schemes; the cooperation is carried on in spite of the war, as it is in the rubber and the sugar agreements.

The *International Tin Agreement* differs in several respects from the other agreements: the interests involved are very varied; the participants are Malaya, the Netherlands Indies, Nigeria, Thailand, Indo-China, Bolivia and the Belgian Congo: for several years, producers kept up a buffer-stock for joint account in order to be able to release extra tin at short notice if the world market appeared to need it and in order to relieve the market from an undesirable surplus.

Discussions were carried on between the Netherlands Indies and East Africa on the possibilities of a regulation scheme for *hard fibres* (sisal), but the war in the Far East intervened before any effective result was reached.

So much for the existing international schemes: I may add a few words about some local organizations established on Government initiative for various branches of agriculture which were in difficulties.

As regards several commodities which are chiefly produced by Indonesians for their own account and at their own risk, domestic legislation has been passed to ensure better cooperation between producers, traders, exporters, and, in some cases, manufacturers. These are all combined in special Centrals. A nominal tax is levied on exports of these commodities: the funds are used by the Centrals for research, propaganda, and improvement of the product. Representatives of the groups mentioned above form the Boards of the

Centrals under chairmanship of a Government official. Differences are smoothed or thrashed out, price cutting is discouraged, the activities of each Central are controlled by its Board.

Centrals already exist for kapok, tapioca, gums and resins, essential oils, native tobacco, there are somewhat similar organizations for coffee and copra.

If, at some future date, an international control scheme for some of these commodities becomes desirable and feasible, the local work already done by some of the Centrals will prove eminently useful: especially for oils and fats and for starches such schemes would prove beneficial both to producers and to consumers, but they will be an extremely difficult proposition.

I may conclude this chapter with a few general observations.

It is to be expected that control of raw materials will play a useful part in post-war international economic relations.

Clause 4 of the Atlantic Charter lays down that the United States of America and the United Kingdom will endeavour, with due respect for their existing obligations, to further the enjoyment by all States, great or small, victor or vanquished, of access, on equal terms, to the trade and to the raw materials of the world which are needed for their economic prosperity.

On January first 1942, the Governments of the other United Nations subscribed to the Atlantic Charter.

The simple wording of Clause 4 embodies principles of a political, an economic and a social character. In this context I am dealing only with the economic and the social side.

In Chapter III, I showed that the Netherlands Indies, for nearly three quarters of a century, has consistently put the principle of this fourth clause into practice and naturally will be prepared to continue this policy after the war.

Perhaps some international machinery will be needed in order to make Clause 4 effective. On the whole, the accessibility of raw materials in the pre-war world cannot have been so very unsatisfactory, considering that the Axis, after over three years of heavy fighting, has still a fair amount of natural rubber, tin, mineral oils, quinine and other strategic raw materials from other than continental European sources.

There is, however, another side to this question which will certainly need some international medium for cooperation after the war: the world has also been promised the four freedoms, one of which is the freedom from want: in the territories producing raw materials many millions of people are dependent, directly or indirectly, on the proceeds of those raw materials and, with every major trade cycle, the demand for and the prices of raw materials, especially agricultural staple products, fall much more steeply than those of industrial products.

After the war, there should be international arrangements to look after the interests of both producers and consumers of raw materials. The international machinery that should be set up after the war should guarantee to consumer countries the full flow of the raw materials they need and should, at the same time, offer to the producing countries sufficient inducement to go on producing what is needed. For not only do the means of subsistence of many millions of people in the tropical producing countries depend upon a stable output and reasonably remunerative prices, but in many trade-cycle-ridden agricultural countries, the public revenues available for education, medical care, social welfare are, to a certain extent, unavoidably linked up with the proceeds of taxation and these again depend largely on the proceeds of exports.

International control schemes have been somewhat unpopular in consumer countries because they reminded people of cartels and trusts which are often of an aggressive and anti-social nature. Even some of the controls which have a completely defensible object, being the outcome of cooperation of hard-pressed producing countries or of their Governments, have in former years sometimes been unfortunate in their methods. But there has been a steady improvement in the successive schemes since 1922: I am convinced that we have gradually gathered adequate experience during the last two decades to enable us in the future to draft control schemes which will be beneficial both to consumers and to producers, at least if the control is vested in a body on which both the producing and the consuming countries are adequately represented.

I have had the good fortune to have been closely connected for some time both with the international management of four major controls and with their local application in the producing territories. Each of those controls has had its weak and its strong points, which very often do not become evident until the scheme has been in

operation for some time. Often too, a control scheme has been initiated before the time was ripe, which generally meant before parties have been hard enough hit to be prepared to make sufficient sacrifices of authority and of vested interests. A general exposition of good and bad experiences in this field seems outside the scope of this little work, but I venture to give, for what they may be worth, some conclusions based on experience:

1. A scheme for the international control of a raw material should embrace the principal producing and consuming territories: if the scheme is not comprehensive enough, it only tends to stimulate production in outside countries.
2. The Governments of the cooperating producing and consuming countries, and not private interests, should have the management of the scheme, although Governments of producing territories should appoint at least some of their representatives from the circles of actual producers.
3. There should be frank exchange of data on production and consumption, including cost prices: only on such a basis of cooperation will it be possible to find price-levels and production-levels which are fair to both parties and which inspire confidence that all concerned are getting their due.
4. The joint authority operating the control should receive sufficient power periodically to fix the rate of production in order to ensure a moderately remunerative price to producers and a sufficiently free flow to satisfy real needs of consumers: several schemes have been ineffective, either because the adjusting machinery was inadequate or because sufficient authority had been withheld from the central body.
5. It will sometimes be desirable for producing and consuming countries to build up a buffer-stock under joint control and for joint account, from which quantities can be released to the markets or to which quantities can be added from the markets to make such fine adjustments as are not always possible by the periodical fixation of export quota (compare the always normal granary of Vice President Wallace). Buffer stocks alone do not offer adequate machinery for control schemes.
6. The controlling body should not only have authority over the rate of production, but also over the productive appa-

ratus: thus, in agricultural schemes, it should be able on the one hand to forbid new planting for a limited period, if potential production is far in excess of predictable requirements and, on the other hand, it should be in a position to effectively and timely urge enlargement of the productive apparatus in producing countries if requirements are seen to be catching up with productive capacity.

7. The cooperating producing countries should agree to encourage progressive production both by direct (research) and indirect (withdrawal of licenses from inefficient producers) methods. The greatest danger of control schemes is that they tend to "freeze" production and safeguard vested interests which cease being dynamic, actually because of the protection the control scheme affords them.
8. Consuming countries should agree to penalize producing countries which are unwilling to cooperate in a reasonable international scheme by prohibiting imports of the raw material involved from that country or by preferential duties to member countries: on the other hand, any country, producing or consuming, should be eligible to cooperate; the setup of the scheme should gradually become sufficiently progressive to deter producers from entering production fields where they cannot make good.
9. It is necessary that producing countries joining the scheme should, in some way, pledge themselves that the advantages accruing to producers from the working of the scheme shall also benefit adequately all those who are linked up with the production, of which labor is the most important one.
10. No scheme has been known to work satisfactorily, if the local arrangements in the producing countries have not been properly worked out for registration of productive capacity, for allocation of individual quota, and for prevention of smuggling: although such arrangements should be left to the local authorities, it should be noted that no proper international functioning will be possible if the local regulations do not work smoothly.

Conclusion

In the foregoing chapters, many subjects have not found even superficial discussion even though they are most important in the scheme of building up a stronger and more economically balanced community.

I have not spoken about the General People's Credit Bank and all its greater and smaller activities and ramifications, nor about the whole popular credit system which reaches right down into the desa.

The expanding system of cooperatives which are destined to play a vital role in the development of Indonesian economy, rooted as they are in social conceptions of the community, has not found its due place in these pages, nor has the battle against chronic indebtedness which was progressing satisfactorily since it was systematically undertaken some five years ago. The successful encouragement of sea fishing in recent years; the increasing share that Indonesian sailing and motorized vessels (prahus) take in the fast growing inter-insular traffic have not been described.

If all these subjects had been dealt with, however, this little book, which already exceeds the limits originally set for it, would have been double the size it is and it would perhaps have lost in clarity what it might have gained in comprehensiveness.

It hardly seems necessary to summarize here what I hope this book has managed to convey to its readers: it is in the first and fourth chapters that I have endeavored to outline the principles of new forms of Indonesian and Dutch cooperation in the Indies during the last decade.

We shall resume that inspiring collaboration as soon as the Japanese are defeated and as soon as their hateful hordes have been removed from the sunny islands.

Then the pace of progress, which has been impressive enough during these years, will probably be quickened, but the enthusiasm and the inspiration will be the same, because they could hardly become greater. A lot of fine work, accomplished both in the spiritual and in the material spheres, will prove to have been undone by enemy action and default: we shall start afresh, strengthened by adversity and drawn closer together by the knowledge of the sufferings of the people both in Holland and in the Indies.

One Hundred Twenty-three

